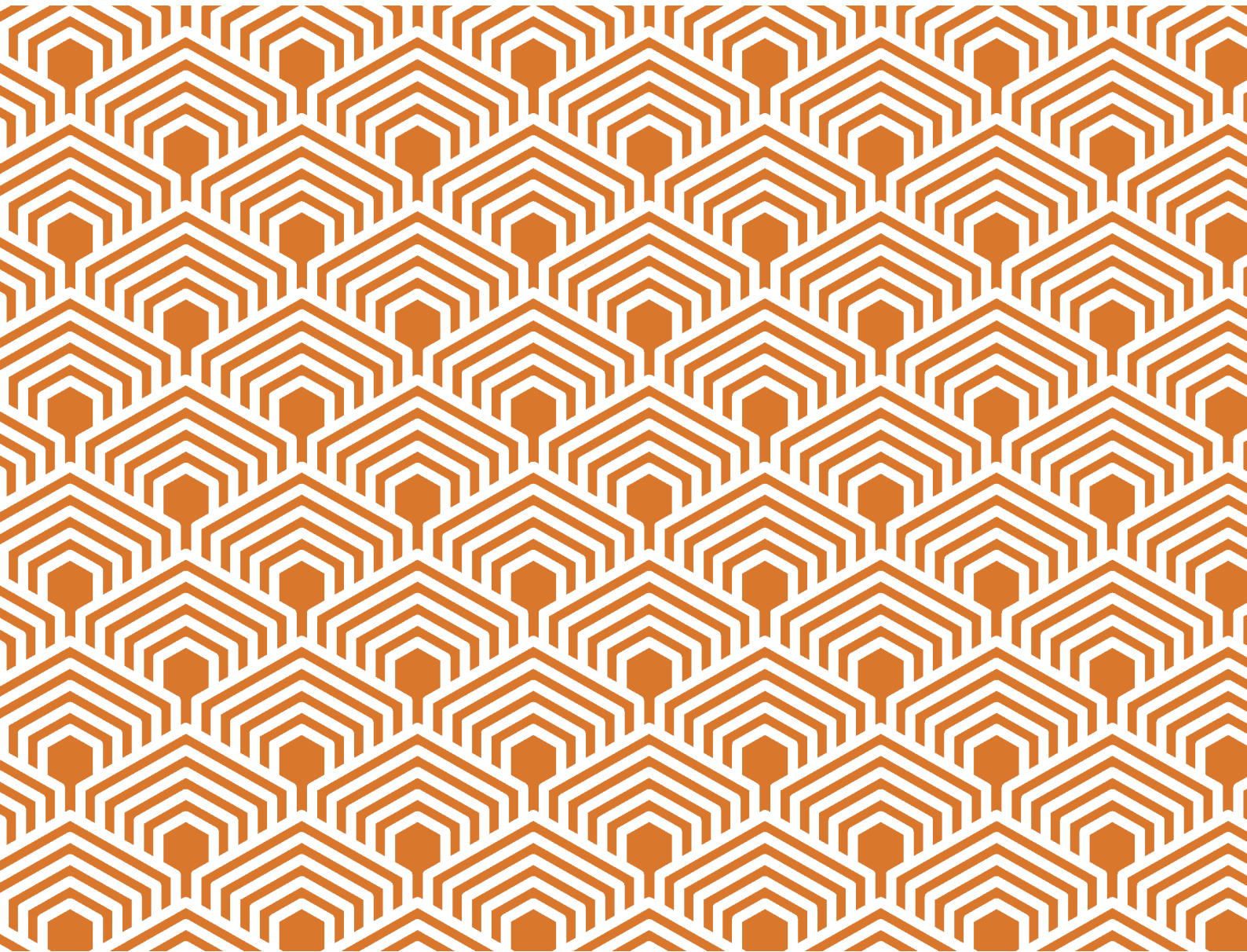


# OECD Review of Foreign Direct Investment Statistics EGYPT



# OECD Review of Foreign Direct Investment Statistics of EGYPT



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## OECD Report on the Compilation of FDI Statistics in EGYPT<sup>1</sup>

### 1. Introduction

Foreign direct investment (FDI) is one of the key ways that economies integrate into the global economy. FDI is not only an important channel for exchanging capital across countries, it is also an important channel for exchanging goods, services, and knowledge and serves to link and organize production across countries. FDI provides a means to create stable and long-lasting relationships between economies, and it can be an important vehicle for local enterprise development. FDI has grown rapidly in recent decades and both the destinations and sources of FDI have expanded with globalisation. Internationally harmonised, timely, and reliable FDI statistics are essential to assess the trends and developments in FDI activity globally, regionally, and at the country level.

FDI is one of the major types of investment included in the balance of payments (BOP) and international investment position (IIP) statistics. The IMF in its *Balance of Payments and International Investment Position Manual, 6<sup>th</sup> edition* (BPM6) and the OECD in its *Benchmark Definition of Foreign Direct Investment, 4<sup>th</sup> edition* (BMD4) set the international standards for compiling FDI statistics. BMD4 is completely consistent with the guidance in BPM6 but provides more detailed guidance on the compilation of FDI statistics; for example, BMD4 provides more detailed guidance for compiling FDI statistics by immediate partner country and by industry than BPM6. BMD4 also provides guidance on compiling inward FDI statistics that produce more meaningful measures of inward investment. For example, BMD4 provides guidance on compiling inward FDI statistics by the ultimate investing country. This presentation provides information on the country of the investor who ultimately controls the investment. It also identifies the amount of inward investment that results from round-tripping, which is the channelling abroad of local funds and their subsequent return to the country in the form of direct investment. The recommended measures of FDI statistics in BMD4 produce FDI statistics that are part of the larger System of National Accounts (SNA). The SNA is the internationally agreed standard set of recommendations on how to compile measures of economic activity, such as Gross Domestic Product (GDP), gross national income, trade, and foreign borrowing and lending.

The OECD also hosts the Working Group on International Investment Statistics (WGIIS), which serves as a forum for FDI statisticians from both OECD member countries and non-member countries to share best practices. The WGIIS also conducts research to improve the measurement of FDI. Currently, the WGIIS has an active research agenda exploring issues surrounding the recording of FDI income, reinvested earnings, and dividends; the compilation of FDI statistics by ultimate partner country; and harmonising FDI statistics with other statistics related to globalisation, such as Foreign Affiliate Statistics (FATS) and Activity of Multinational Enterprise (AMNE) Statistics. Finally, the WGIIS is responsible for updating the *Benchmark Definition*.

The goal of this project is to review Egypt's FDI statistics to assess their compatibility with the international guidelines (BPM6 and BMD4); to assess the data sources and estimation methods used; and to examine both the feasibility and the usefulness of compiling additional series, such as by country of ultimate investor. This report is based on Egypt's response to a survey asking for information on their FDI statistics; on a presentation that the General Authority for Investment and Free Zones (GAFI) made to the OECD WGIIS at its October 2016 and October 2017 meetings where GAFI presented their new system for the compilation of FDI position statistics and responded to the preliminary version of this report, respectively; on other sources of information on data sources and methods, such as

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<sup>1</sup> This report was prepared by Maria Borga, Senior Statistician and Head of FDI Statistics, and Emilie Kothe, Statistician, in the Investment Division of the OECD's Directorate for Financial and Enterprise Affairs.

the metadata Egypt provided for the IMF's BOP and IIP statistics; an analysis of their FDI statistics; and our knowledge of best practices for the compilation of FDI statistics.

The OECD has developed a framework for assessing the quality of macroeconomic statistics that focuses on seven dimensions of quality: relevance, accuracy, credibility, timeliness, accessibility, interpretability, and coherence. This report will use this framework in its evaluation of Egypt's FDI statistics although some of these dimensions are more relevant for FDI statistics than others. The report begins with a summary of recent trends in Egypt's FDI. This is followed by an assessment based on the quality framework discussed above. Section 4 provides information on possible content that could be included in an analysis that can be released in conjunction with FDI statistics as well as information on the usefulness of FDI statistics in analysis of globalisation more broadly. The last section offers conclusions.

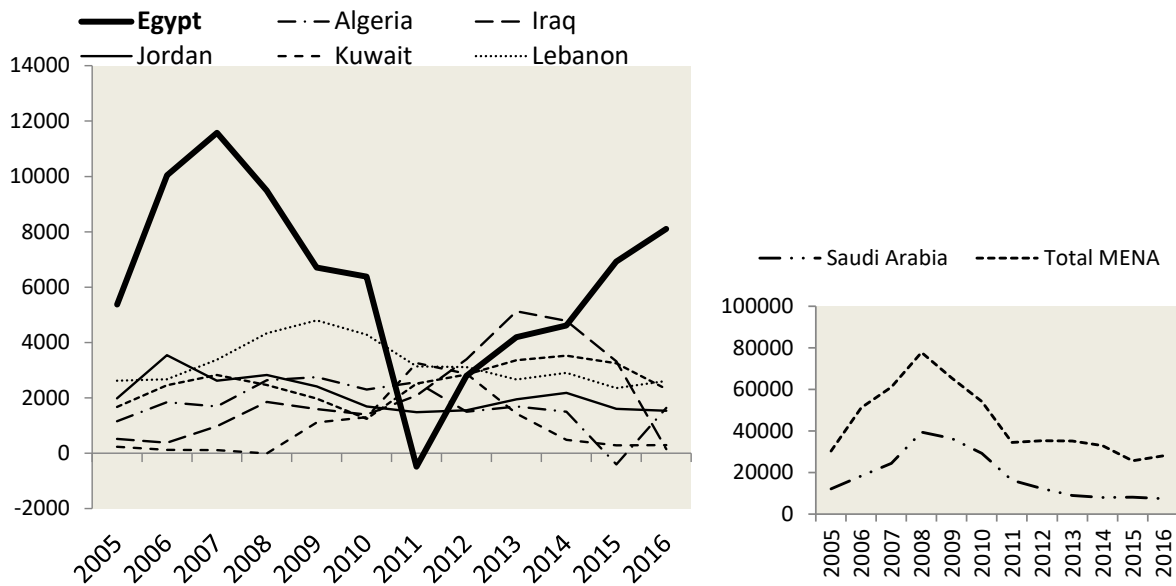
## 2. FDI Trends of Egypt

### 2.1. FDI flows

In 2017, **FDI inflows** in Egypt decreased by 7% (to USD 7.4 billion) while they increased by 17% in 2016 (to USD 8.1 billion), which continued an upward trend since 2011. In the MENA region as a whole, FDI inflows increased by 9% in 2016 (Figure 1). At the global level, FDI flows decreased by 7% in 2016 and by 18% in 2017. Within the OECD and EU areas, FDI inflows remained stable in 2016 but decreased in 2017, by respectively 37% and 45% (Figure 2). These developments were largely driven by decreases in the United Kingdom and the United States from very high levels in 2016. FDI flows in the United States dropped to USD 287 billion after reaching more than USD 450 billion in 2015 and 2016; the high levels in 2015 and 2016 were partly due to financial and corporate restructuring. Apart from developments in the United States, the United Kingdom recorded their lowest level of FDI inflows since 2005 (at USD 15 billion) after reaching a record level in 2016, largely due to Anheuser-Busch InBev acquiring SABMiller. In contrast, FDI inflows to non-OECD G20 economies increased by 3% in 2017 partly due to large increases in Indonesia.

In 2011, FDI flows in Egypt recorded a sharp decline to negative levels (at USD -0.5 billion). Since then and until 2016, they were on an upward trend growing at an annual growth rate of 24% between 2012 and 2016, reaching USD 8 107 million in 2016. In the MENA region, FDI flows declined at an average growth rate of -8% each year between 2012 and 2015, while they increased by 9% in 2016. In contrast, at the global level, in the OECD as a whole and in the EU area, they have grown at an annual growth rate of 8%, 13% and 11% each year between 2012 and 2015 while they decreased by 7% globally in 2016 and remained stable that year in the OECD and EU areas.

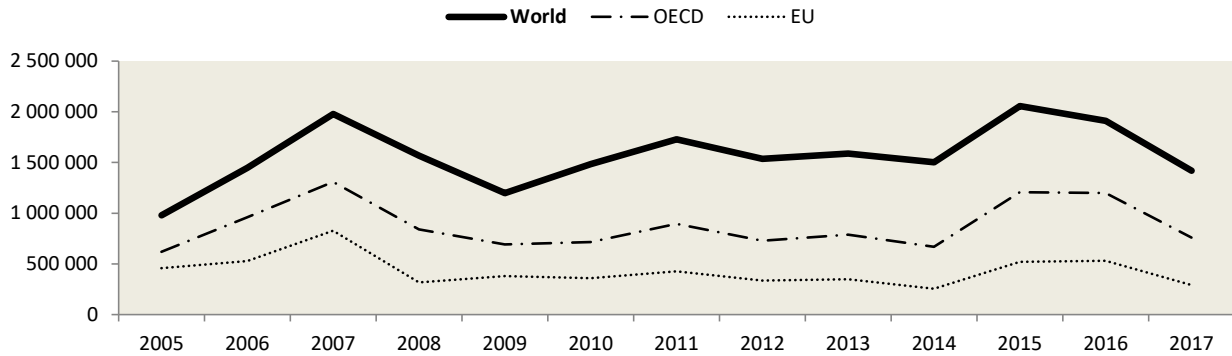
**Figure 1. FDI flows in Egypt and selected MENA countries, 2005-2016, USD millions**



Note: MENA total aggregate exclude FDI flows in United Arab Emirates (not available), Qatar for 2005-2010 (not available), FDI flows in Libya and Syrian Arab Republic for 2011 onwards (not available) and FDI flows in Yemen for 2016 (not available). FDI flows for 2017 are not shown due to limited availability across MENA countries.

Source: IMF Balance of Payments database (see Annex 1 Table A1 for detailed figures)

**Figure 2. FDI flows in selected regions worldwide, 2005-2017, USD millions**

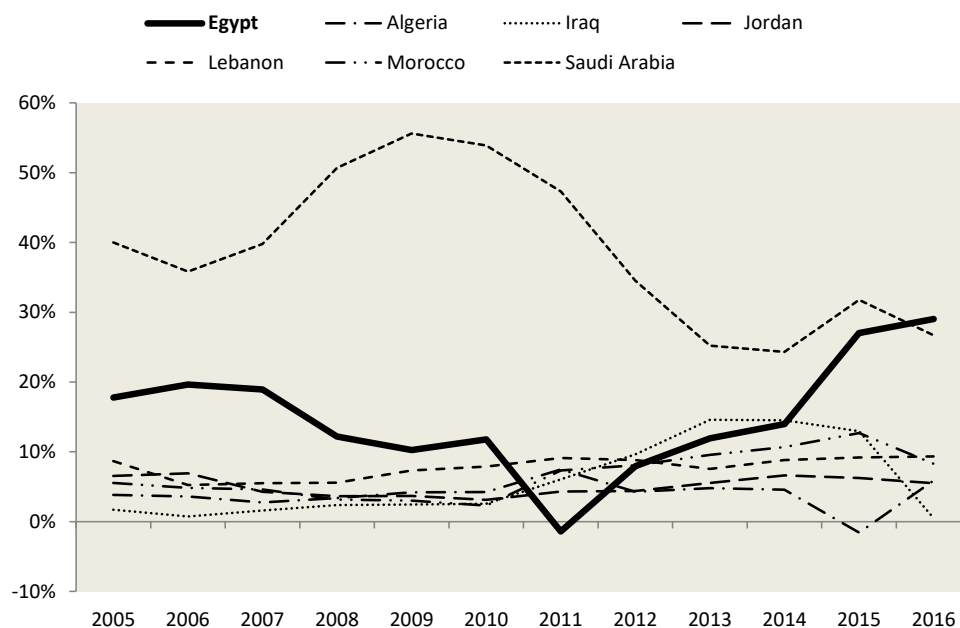


Source: OECD Foreign Direct Investment statistics database (see Annex Table 1 for detailed figures)

In 2016, FDI flows in Egypt accounted for 29% of total FDI flows received in the MENA region as a whole, compared to 27% in 2015 and between 8% and 20% in 2005-2014, excluding the negative levels of FDI inflows recorded in 2011 (Figure 3). In 2016, Egypt was for the first time the largest recipient of FDI flows in the MENA region, before Saudi Arabia. FDI flows in Egypt represented 2.4% of its GDP in 2016, as compared to 2.1% in 2015 and an average of 1.5% in 2013-2014, but were still well below the levels recorded in 2005-2010 when they were above 3% of GDP. In the MENA region as a whole, FDI inflows represented 1.6% of the region GDP in 2016 (Figure 4).

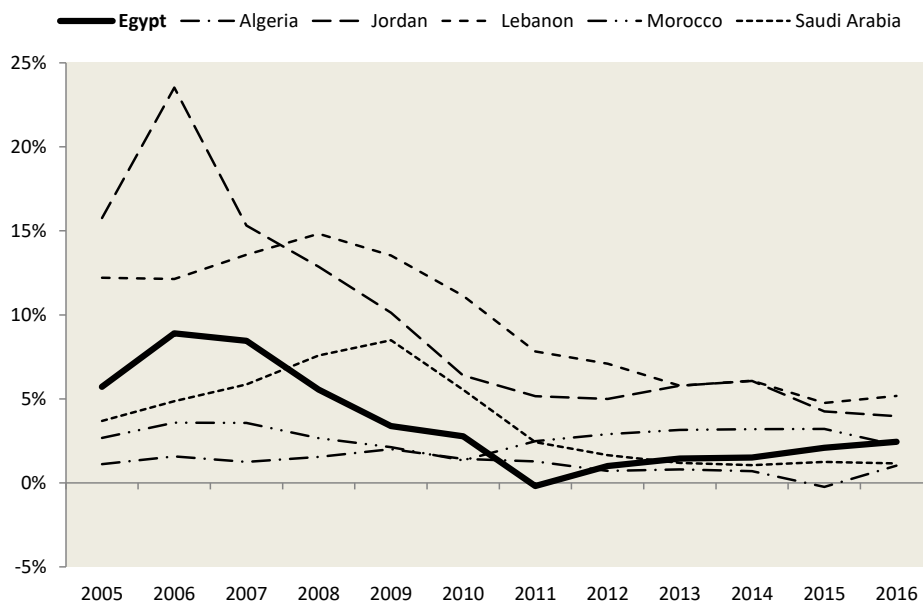


**Figure 3. FDI flows in Egypt and selected MENA countries, as a share of total MENA**



Source: IMF Balance of Payments database (see Annex 1 Table A1 for detailed figures)

**Figure 4. FDI flows in Egypt and selected MENA countries, as a share of GDP**



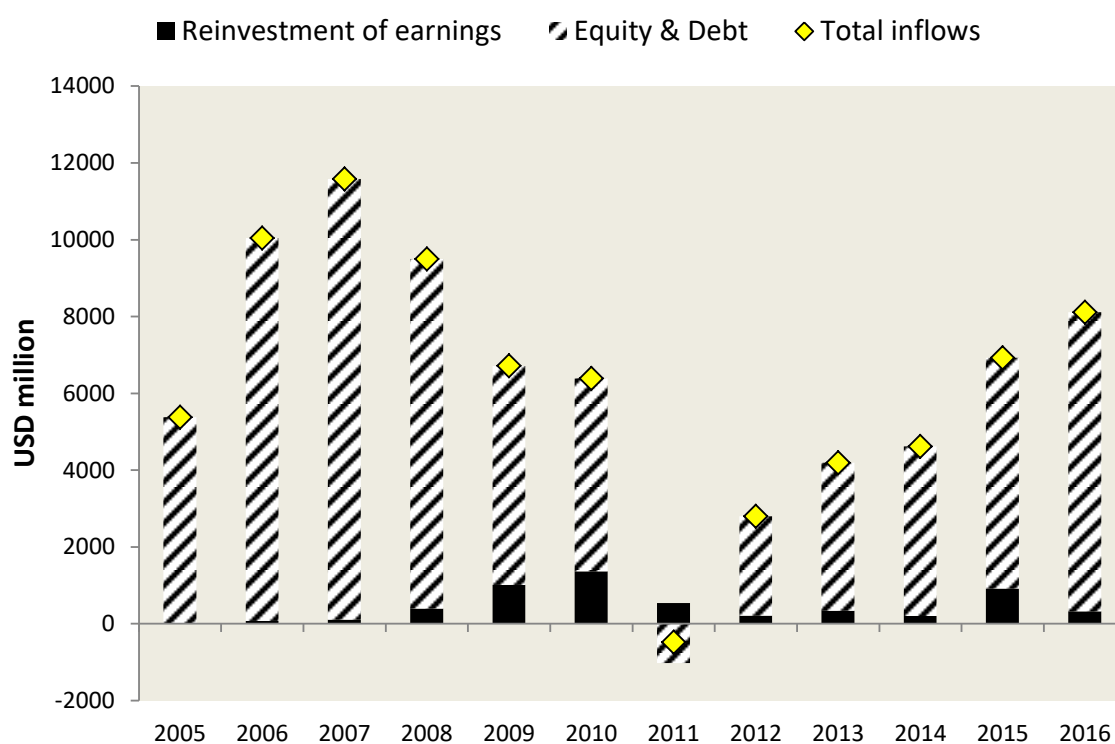
Source: IMF Balance of Payments database and IMF World Economic Outlook database (see Annex 1 Table A2 for detailed figures)

**FDI outflows** from Egypt decreased to USD 43 billion in 2017, their lowest level since 2005. They increased by 14% in 2016, to USD 207 million while levels observed in 2007-2011 were above USD 500 million (see Annex 1 Table A.4 for detailed figures). They reached their highest level in 2008, at USD 1 920 million. In contrast, in the MENA region as a whole FDI outflows almost doubled in 2016, to USD 27 billion. In 2016, FDI outflows from Egypt

represented 0.8% of total outflows from the MENA region, as compared to 7% in 2010, and 8% (their highest share) in 2007. In 2016, Egypt was the tenth largest investor from the MENA region while it ranked at the fourth position in 2008. In 2016, major investors from the MENA region were Saudi Arabia (33%), Qatar (29%) and Kuwait (24%) (See Annex 1 Table A.3 for detailed figures).

In the Balance of Payments data available from the IMF, it appears that equity capital and reinvested earnings are reported indistinguishably from intercompany debt for both direct investment liabilities and assets. However, reinvested earnings are reported for direct investment payments in the primary income account, so it is possible to determine that reinvestment of earnings represent less than 10% of total inflows except in 2009, 2010 and 2015 when they represented respectively 15%, 21% and 13% of the total (Figure 5). As regards the MENA region as a whole, the instrument distribution of total flows observed in 2016 is comparable to the distribution observed in the pre-crisis period.<sup>2</sup> Intracompany debt flows represented 23% of total inflows in the region in 2016, a level comparable to 2015 but higher than the levels recorded in 2009-2014 when they represented less than 20% of the total. They dropped to negative levels in 2011. Equity capital flows represented 72% of total flows in 2016, lower than levels recorded in 2012-2014 when they represented more than 80% of total flows. Reinvestment of earnings represented 5%, compared to 10% in 2015. Global intra-company debt flows represented 4% of total flows in 2017 compared to 9% in 2016, while they were negative for the second consecutive year in the EU as a whole. Equity flows and reinvestment of earnings each represented around 48% of global inflows in 2017, compared to 60% and 31% respectively in 2016.

**Figure 5. FDI flows in Egypt by instrument, 2005-2016**



Note: Details by instruments for 2017 were not available from the Central Bank of Egypt nor from the IMF at the time of writing.  
Source: IMF Balance of Payments database (See Annex 1 Table A4 for detailed figures).

<sup>2</sup> Source: calculations using available information from the IMF Balance of Payment database. FDI inflows by instruments are not available for Bahrain (2013 onwards), Libya (2011 onwards), Qatar, Saudi Arabia, United Arab Emirates and Syrian Arab Republic (2011 onwards). When equity and reinvestment of earnings were not available separately, the available value for one of the instrument was divided equally among the two instruments. When debt flows were not available, it was assumed that they correspond to zero values.

In 2016, 47% of total FDI flows (increases in liabilities only) received by Egypt originated from the United Kingdom (most of it in Oil and Gas sector), and 10% from the United States and from Belgium. Investments from the Arab Emirates represented 9.5% compared to less than 5% in 2012-2014 (Table 1).

**Table 1. FDI flows in Egypt by major investors, as a share of total inflows\***

<i>(Calendar year basis)</i>	2012	2013	2014	2015	2016**
United Kingdom	47.1%	45.6%	43.8%	37.2%	47.4%
United States	12.3%	19.6%	20.7%	10.8%	10.0%
Belgium	16.3%	6.0%	6.2%	4.5%	9.7%
United Arab Emirates	3.3%	4.3%	5.5%	12.1%	9.5%
France	2.4%	2.2%	3.0%	2.2%	4.2%
Saudi Arabia	1.6%	1.9%	3.3%	4.7%	2.1%
Korea	0.0%	0.3%	0.9%	1.6%	1.5%
The Netherlands	3.7%	1.3%	1.3%	2.8%	1.5%
Qatar	0.7%	3.4%	0.8%	1.4%	1.4%
Germany	1.6%	1.4%	1.8%	1.7%	1.4%
Bahrain	0.8%	2.7%	1.6%	1.1%	1.1%
Kuwait	0.5%	1.1%	0.7%	2.2%	1.0%
Switzerland	1.0%	0.7%	1.0%	1.6%	0.9%
Lebanon	0.2%	0.7%	0.9%	0.5%	0.8%
China	0.6%	0.2%	0.1%	0.9%	0.7%
Japan	0.4%	0.9%	0.5%	0.6%	0.6%
Italy	1.2%	0.3%	0.3%	0.3%	0.5%
Turkey	0.2%	1.5%	0.3%	0.4%	0.4%
Malta	0.1%	0.0%	0.0%	0.0%	0.3%
Luxembourg	0.1%	0.0%	1.5%	1.4%	0.3%
Other countries	6.0%	5.9%	5.7%	12.0%	4.7%

Note: \*: 'Inflows' correspond to increase in liabilities and differ from total net incurrence of liabilities published in Balance of Payments, which are defined as increases minus decreases in liabilities. \*\*: Provisional.

Source: Central Bank of Egypt and OECD calculations: fiscal year data was converted into calendar year data by the OECD using quarterly FDI inflows by partner country published by the Central Bank of Egypt (see Annex 1 Table 5 for detailed figures). FDI flows by partner country were not yet available for Q4 2017, at the time of writing.

**Table 2. FDI flows in Egypt by economic activity, as a share of total inflows\***

	2 013/2014*	2014/2015*	2015/2016*
Oil	71.7%	58.4%	53.5%
Manufacturing	2.0%	2.3%	3.4%
Agriculture	0.2%	0.0%	0.0%
Construction	2.2%	6.0%	1.5%
Services, of which:	4%	10.0%	10.4%
Real estate	1.4%	6.2%	3.6%
Finance	1%	2.0%	3.8%
Tourism	0.1%	0.0%	0.3%
Communications and IT	0.0%	0.0%	0.5%
Other services	1.5%	1.8%	2.2%
Unallocated	19.9%	23.3%	31.2%

Note: \* Fiscal years. 'Inflows' correspond to increase in liabilities and differ from total net incurrence of liabilities published in Balance of Payments, which are defined as increases minus decreases in liabilities.

Source: Central Bank of Egypt, Annual reports 2014-2015 and 2015-2016.

In 2016, 54% of total flows (increases in liabilities only) received by Egypt were in the oil sector compared to 72% in 2014. Real estate, which covers the purchase of land and homes by non-residents, decreased to about 4% of the total from 6% in 2015, and construction activities decreased to 1.5% of the total from 6% in 2015 (Table 2). The share of investments in the finance sector increased to 4% in 2016 as compared to 1% in 2014, while the share of tourism activities slightly increased to 0.3%. However, around 30% of total inflows received by Egypt in 2016 were not allocated to any specific activity.

### *FDI stocks and income*

The **stock of inward FDI** in Egypt at-end 2017 was USD 110 billion as compared to USD 29 billion in 2005, equal to 33% of its GDP (Figure 6). As regards the MENA region as a whole, inward FDI stocks represent 35% of MENA GDP<sup>3</sup>, a ratio comparable to the one recorded in the OECD and above the ratio recorded for the G20 (29%). At-end 2016, Egypt had the second largest stock of inward FDI in the MENA region, accounting for 20% of the total, after Saudi Arabia (45%).

The **stock of outward FDI** from Egypt at-end 2017 was USD 7.4 billion as compared to USD 1 billion in 2005, representing 2% of its GDP (Figure 6). In the MENA region as a whole, outward FDI stocks represent 9% of total MENA countries GDP<sup>4</sup>, while total outward FDI stocks from the OECD and from the G20 represent respectively 43% and 28% of total OECD and G20 GDPs. At-end 2016, Egypt was the fourth major investor from the MENA region (5.4% of total outward FDI stock), after Saudi Arabia (55%), Kuwait (23%) and Bahrain (11%).

Estimates of bilateral inward FDI positions at-end 2013, which were produced by GAFI from their recently developed compilation system and which were presented to the OECD WGIIS in October 2016, indicate that major investors in Egypt at-end 2013 were the United Kingdom, the United States, Italy, the Netherlands, United Arab Emirates, Saudi Arabia, Qatar, Kuwait, Germany and Belgium. Estimates of inward FDI positions by industry sectors indicate that the major economic sectors at-end 2013 were manufacturing and oil and gas, followed by the financial sector, construction, communication and information technology, tourism and agriculture.<sup>5</sup> More recent estimates of inward FDI positions by geographic partners, including inward FDI by ultimate investing country, and by industry sectors at-end June 2017 were produced by GAFI but are not yet publishable at the time of writing.

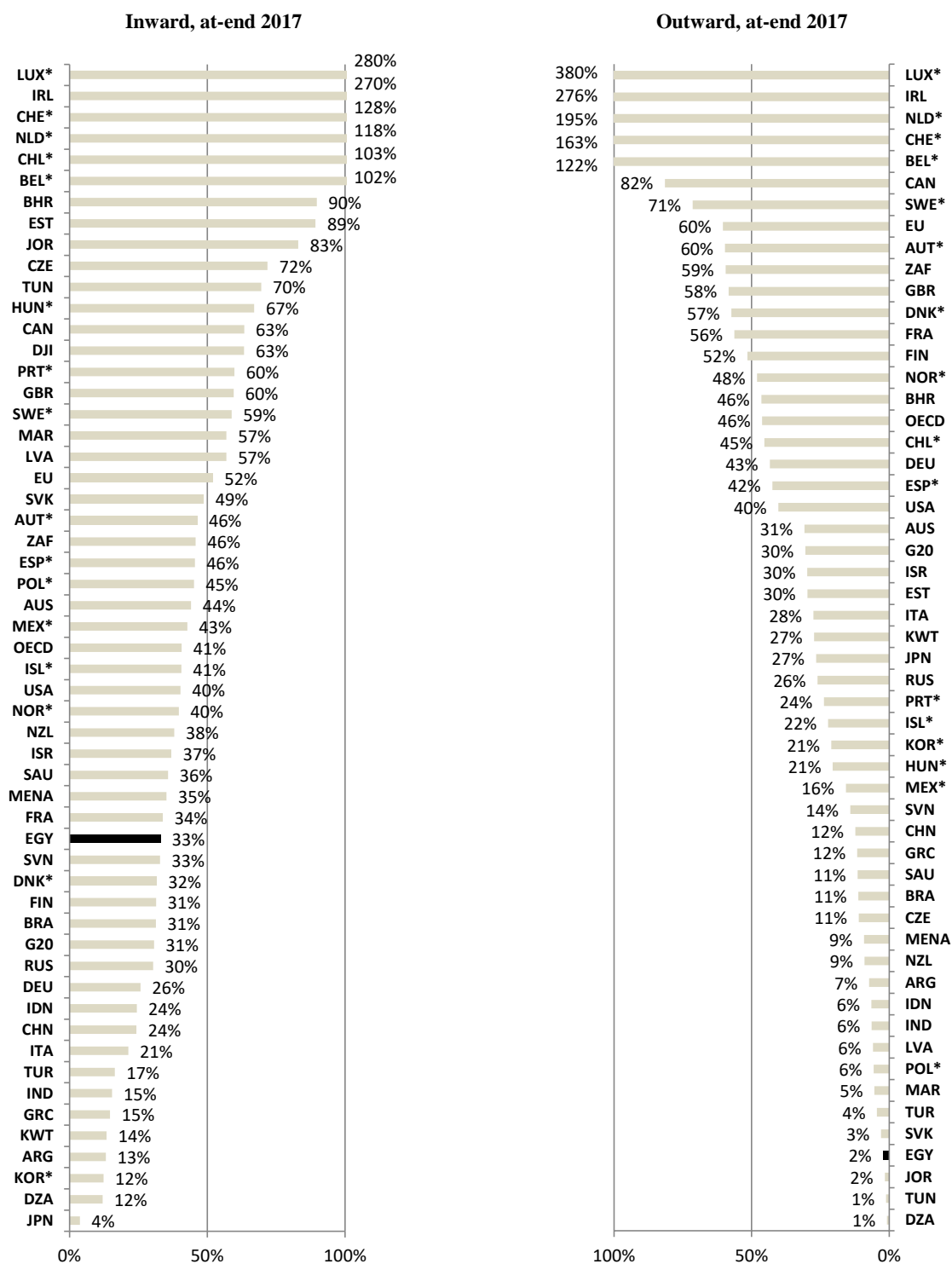
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<sup>3</sup> Source: MENA aggregate calculations using available information from the IMF Balance of Payments and International Investment Position database and IMF International Finance statistics database. FDI inward positions at-end 2016 and GDP for 2016 were available for Algeria, Bahrain, Djibouti, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia and Tunisia.

<sup>4</sup> Source: MENA aggregate calculations using available information from the IMF Balance of Payments and International Investment Position database. FDI outward positions at-end 2016 and GDP for 2016 were available for Algeria, Bahrain, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia and Tunisia.

<sup>5</sup> Information on inward FDI positions by major investor and by major economic sectors was extracted from a presentation given by GAFI to the OECD WGIIS at its meeting in October 2016. The data from GAFI were based on BPM6 while the CBE continues to publish according to BPM5, so these statistics are not published yet. Under the Protocol signed by the Ministry of Investment, CBE, and the Ministry of Petroleum, the CBE is obligated to move to BPM6 and will, at that time, publish the FDI position statistics compiled by GAFI.

Figure 6. Inward and outward FDI stocks of Egypt and other countries, as a share of GDP



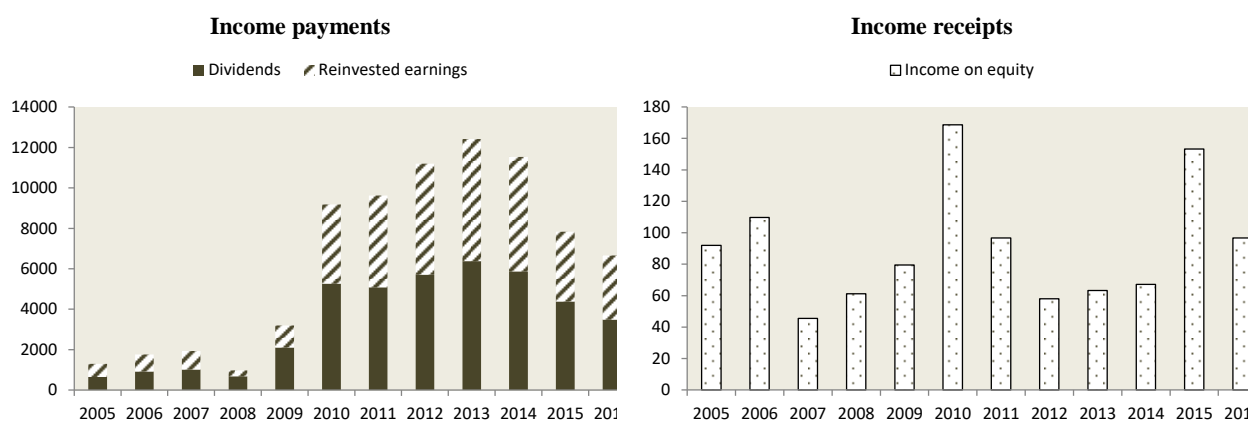
Notes: \*Excluding resident SPEs. FDI positions at-end 2017 or latest available year.

Source: IMF Balance of Payments and International Position database, IMF World economic Outlook database and OECD Foreign Direct Investment statistics database.

FDI income received by Egyptian parents from their affiliates abroad decreased in 2016 to USD 97 million as compared to USD 153 million in 2015 and less than USD 70 million in 2012-2014 (Figure 7). Information available from the IMF Balance of Payments database relate to income on equity receipts, without further breakdown into dividends and reinvestment of earnings while interest from debt are not available. On average in 2014-2016, Egypt's rate of return on outward FDI was 1.5%, compared to 6.6% on average in six MENA countries for which rates of return on outward FDI could be calculated (Figure 8).<sup>6</sup> In OECD and G20 countries, the average rate of return on outward FDI for 2014-2016 was 4.8%, but the situation varies widely across countries.

As regards FDI income payments by Egyptian affiliates to their parents abroad, they continued to drop in 2016 to USD 3.5 billion while they were above USD 5.0 billion in 2010-2014, reaching a peak in 2013 at USD 6.4 billion. Information available from the IMF Balance of Payments database only relate to dividend payments and reinvestment of earnings, while interest from debt are not available. On average in 2014-2016, Egypt's rate of return on inward FDI was 5.7%, slightly below the average 6.9% rate of return recorded in eight MENA countries for which rates of return on inward FDI could be calculated (Figure 8).<sup>6</sup> In OECD and G20 countries, the average rate of return on inward FDI for 2014-2016 was 5.6%, but the situation varies widely across countries.

**Figure 7. FDI Income payments and receipts of Egypt, in USD millions**

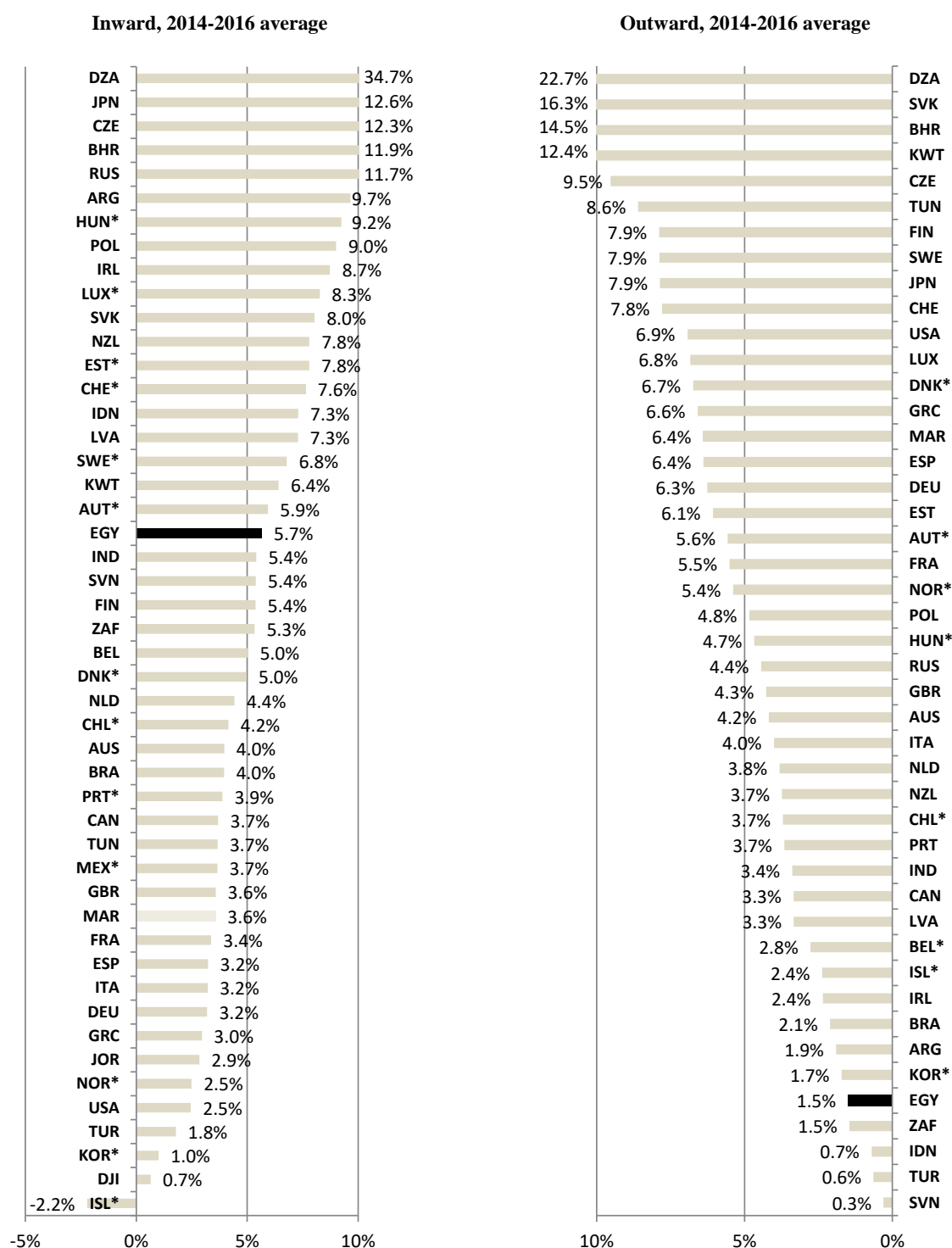


Note: Income on inward only includes dividends and reinvested earnings while interest from debt is not available. Income on outward FDI include only total income on equity without further breakdown into dividends and reinvested earnings, while interest from debt is not available.

Source: IMF Balance of Payments database (see Annex 1 Table A4 for detailed figures)

<sup>6</sup> Rates of return on inward and outward FDI are calculated in this report as the ratio between income on equity FDI and total inward and outward FDI stocks respectively. Based on available information from the IMF Balance of Payments and International investment Position database, rates of return on outward FDI could be calculated for six MENA countries (Algeria, Bahrain, Egypt, Kuwait, Morocco and Tunisia) while rates of return on inward FDI could be calculated for eight MENA countries (Algeria, Bahrain, Djibouti, Egypt, Jordan, Kuwait, Morocco and Tunisia).

**Figure 8. Rates of return on inward and outward FDI of Egypt and other countries**



Notes: \*Excluding resident SPEs. Rates of return on inward and outward FDI are calculated as the ratio between income on equity FDI and total inward and outward FDI stocks respectively.

Source: IMF Balance of Payments and International investment position database and OECD Foreign Direct Investment statistics database

### 3. Quality Framework

The OECD quality framework assesses the quality of economic statistics according to seven dimensions: relevance, accuracy, credibility, timeliness, accessibility, interpretability, and coherence. In each section below, the FDI statistics of Egypt are assessed according to these quality factors. FDI statistics in Egypt are in a period of transition with the Central Bank of Egypt (CBE) and the FDI Unit (FDIU) of the General Authority for Investment and Free Zones (GAFI) signing a protocol that calls for cooperation in the compilation and dissemination of FDI statistics according to BPM6 and BMD4. The assessment will be based on the FDI statistics currently disseminated by the CBE according to BPM5, but the impact of GAFI's new system on the quality of FDI position statistics in Egypt will also be discussed. In addition, the potential implications of the protocol requiring cooperation in the production and dissemination of FDI statistics between the two agencies for the quality of the statistics will be discussed when relevant. Where possible, comparisons of methods, data sources, and coverage will be made to the FDI statistics compiled by OECD member countries.

#### 3.1. Relevance

Relevance is defined as an assessment of the value contributed by these data. Relevance is characterised by the degree to which the data serve the purposes for which they are sought by users. It depends both on the coverage of the required topics and the use of appropriate concepts.

This section will begin with a discussion of the coverage of Egypt's FDI statistics compared to the international standards, i.e., BPM6 and BMD4. While FDI statistics currently published by the CBE are based on BPM5, the new compilation system developed by the FDIU of GAFI is based on financial statements of enterprises and designed to produce FDI statistics in line with BMD4 and BPM6 standards. The section will continue with a discussion of the extent to which Egypt's FDI statistics use the appropriate concepts by examining how well aligned they are with the international guidelines for compiling detailed FDI statistics by partner country and by industry. FDI statistics serve two main sets of data users: the first group are BOP and IIP analysts, and the second group are those studying the impact of international investment on the reporting economy. The first group are interested in the aggregate statistics that appear in the BOP and IIP accounts while the second group are often more interested in detailed statistics by partner country and by industry. Given their differing analytical uses for the statistics, it is not surprising that there are differences in the presentations of FDI statistics that they find most useful. While the needs of both users will be considered, extra emphasis will be given to those studying the impact of FDI since that is the main focus of BMD4.

##### 3.1.1. Coverage

There are several different aspects to coverage. The first is whether or not all of the standard FDI statistical series are collected and released to the public. Egypt (through the Central Bank) does release to the public the full set of FDI statistics--financial flows, income flows, and positions as part of Balance of Payments (BOP) and International Investment Position (IIP) statistics--but does not publish all of the components. This makes it hard to determine if all of the components are covered. FDI inflows include the two major components of FDI--equity and reinvestment of earnings and debt--but it appears that only reinvestment of earnings is included in the former category; only total flows are reported for outflows. Income receipts cover only dividends from abroad while income payments cover dividends, reinvested earnings for sectors other than petroleum, as well as interest from the petroleum sector.<sup>7</sup> However, those components are not always available separately from the BOP publications and databases published by the CBE as described in the *Accessibility* section. Moreover, as indicated under the previous *FDI Trends* section, the coverage of the statistics described above differ from the information currently available in the IMF BOP database. For example,

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<sup>7</sup>According to the methodological note: 'Sources & Methods Used to Compile BOP Statistics for Egypt' available from the Central Bank of Egypt. <http://www.cbe.org.eg/en/EconomicResearch/Publications/Pages/SDDS.aspx> (see Balance of Payment/Methodology)



income payments only include dividends and reinvestment of earnings (see Annex Table A4 for detailed figures). On the outward side, only income dividend receipts are available.

As regards FDI positions, information by component is not available from the CBE website or from the IMF IIP database. From the metadata, it is clear that the outward positions do not include debt, but it is not clear if debt is included in inward positions. As described further in the section on the data sources used for the compilation of detailed FDI statistics by partner country and by industry, the compilation system developed by the FDIU is very comprehensive and should allow the compilation of inward FDI positions including all standard components (except for reinvestment of earnings from the petroleum sector). With the signing of the protocol between the Ministry of Investment, CBE, and the Ministry of Petroleum in September 2016, the CBE will begin to disseminate the FDI position statistics compiled by the FDIU in Egypt's International Investment Position once the transition to BPM6 has been completed. Under the protocol, the FDIU will be responsible for compiling and disseminating the detailed FDI position statistics by partner country and by industry. As will be discussed in the *Coherence* section, the division of duties for compilation and dissemination between different agencies presents several challenges for the quality of the FDI statistics. In terms of coverage, it will be necessary for the FDIU to work closely with the CBE to ensure consistent coverage between the statistics under the responsibility of each agency.

Two other important parts of coverage relate to how well the statistics cover the population of firms in the direct investment universe as defined in the statistical standards and to how well the elements to be included in each series are covered. These two additional aspects are discussed below.

The most important factor in defining the universe of FDI enterprises is the 10 percent of voting power criterion. FDI is defined as a long lasting investment by a resident in one economy in a business enterprise in another economy; the direct or indirect ownership of 10% or more of the voting power is evidence of such a relationship. Egypt follows international guidelines by applying the 10 percent of voting power criterion.<sup>7</sup>

Table 3 provides a summary of these aspects of coverage for OECD countries. These comparisons are based on the 2016 metadata survey for FDI statistics conducted by the OECD. Results of the survey were released in 2017 in a database, available at the following link: [http://qdd.oecd.org/subject.aspx?Subject=fdi\\_metadata](http://qdd.oecd.org/subject.aspx?Subject=fdi_metadata). 34 of 35 member countries responded to the survey, and the number indicating yes to the question is shown in the column labelled OECD. The last 4 columns show the responses from the United Kingdom, the United States, Italy and the Netherlands, the four largest direct investment partners of Egypt in the OECD.<sup>8</sup> For the OECD, only 20 out of 34 countries strictly apply the 10 percent of voting power criterion. Most of the exceptions are thresholds applied to the size of the enterprise for inclusion in their FDI statistics; these thresholds are often related to reporting requirements on surveys of FDI and are generally set low enough to ensure adequate coverage of the FDI universe. However, a few countries make exceptions to the 10 percent criterion. The four major OECD investors in Egypt strictly apply the 10 percent criterion.

**Table 3. How OECD countries define direct investment enterprises?**

	OECD	GB	US	IT	NL
<b>Strict application of the 10% voting power criterion</b>	20	√	√	√	√
<b>Method used to determine FDI relationships:</b>					
<b>Framework for Direct Investment Relationships</b>	23	√			
<b>Participation Multiplication Method</b>	3		√		
<b>Direct Influence/Indirect Control Method</b>	6				√
<b>Exclude indirectly owned FDI enterprises</b>	1				
<b>Other</b>	1			FDI relationships determined by the accounting consolidation perimeter	

Source: OECD Metadata survey on BMD4

<sup>8</sup>According to preliminary estimates of bilateral positions at end 2013, produced from GAFI's compilation system for FDI positions and presented to the OECD WGIIS in October 2016.

Because the ownership structures of multinational enterprises (MNEs) can be quite complicated, it can be difficult to make sure that all of the entities under the influence of a common direct investor are identified. BPM6 and BMD4 recommend three different ways of identifying all of the entities in a direct investment relationship, with one method--the Framework for Direct Investment Relationships--being preferred. These methods provide for the identification of indirectly owned enterprises as well as of horizontal relationships to identify all of the entities related to a particular enterprise. The compilation system which has recently been developed based on financial statements of enterprises uses the FDIR. This would be in line with international guidelines for the identification of direct investment relationships.

Almost all of the OECD countries responding to the survey use one of the three recommended methods for identifying direct investment relationships, and none exclude indirectly owned enterprises from FDI data. Major OECD investors in Egypt all use different methods: the United Kingdom uses the FDIR; the United States use the Participation Multiplication Method (PMM); Italy uses a simplified Direct Influence/Indirect Control (DIIC) method, which reduces the DIIC to the accounting consolidation perimeter, while the Netherlands uses the DIIC method.<sup>9</sup>

**Table 4. What is the coverage of FDI statistics compiled by OECD countries?**

	OECD	GB	US	IT	NL
<b>Inclusion of commercial real estate activities (ISIC4 section L)</b>	34	√	√	√	√
<b>Inclusion of private purchase and sale of real estate</b>					
<b>Inward</b>	28	√		√	√
<b>Outward</b>	26	√		√	√
<b>Type of loans included in FDI debt statistics</b>					
<b>Long term loans</b>	34	√	√	√	√
<b>Short term loans</b>	34	√	√	√	√
<b>Short and long term debt securities</b>	30	√	√	√	√
<b>Very short term debt, such as that arising from cash pooling</b>	30	√	√	√	√
<b>Trade credits</b>	31	√	√	√	√
<b>Financial leases</b>	26	√	√	√	√
<b>Financial derivatives (not recommended in BMD4 and BPM6)</b>	2	√			
<b>Insurance technical reserves</b>	10	na	√	√	√
<b>Other</b>	8	√			
<b>Exclusion of debt between affiliated financial intermediaries</b>	32	√	√	√	√
<b>Full coverage of debt transactions between fellow enterprises</b>					
<b>Inward</b>	28	√	Partial	√	√
<b>Outward</b>	27		Partial	√	√
<b>Full coverage of debt positions between fellow enterprises</b>					
<b>Inward</b>	29	√	Partial	√	√
<b>Outward</b>	26		Partial	√	√

Source: OECD Metadata survey on BMD4

The international guidelines provide guidance on the types of loans that should be included in FDI debt statistics. Outward FDI statistics which are currently disseminated by the CBE as part of BOP and IIP statistics do not separately identify debt, while inward statistics cover loans from foreign investors to their Egyptian affiliates but appear to mix them with equity capital. The compilation system recently developed by GAFI based on financial statements of enterprises includes, for example, on the asset side entries for 'long term loans', 'other types of long term financial instruments (for example bonds)', 'other long term assets non classified as claims', 'inventory' (stocks), 'trade

<sup>9</sup> The DIIC method includes all entities in which the direct investor directly owns voting power of 10% or more plus all enterprises that are controlled by them, plus all other enterprises in a continue chain of majority ownership. While included as one of the three recommended methods, the DIIC covers a subset of the entities identified as being in a direct investment relationship under either the FDIR or the PMM.

receivables', 'other receivables', 'prepayments', 'other financial instruments (for example bonds and treasury bills)', 'cash and cash equivalents (deposits)', and 'other current assets not classified as claims'. Thus, the new system developed by GAFI seems to ensure good coverage of the various types of debt instruments in the position statistics as recommended in the international guidelines. In addition, the international guidelines recommend that debt between financial intermediaries be excluded from FDI and included in other investment. Given that the system is based on financial statements provided by enterprises including from commercial banks and financial intermediaries, GAFI has confirmed that it will be able to exclude debt between financial intermediaries when producing FDI statistics as do almost all OECD countries.

Fellow enterprises are entities that are not in a direct investment relationship themselves but that have a direct investor in common. Any transactions between fellow enterprises are relevant to FDI statistics because such transactions likely result from the influence of their common direct investor. The international guidelines call for capturing both equity and debt transactions and positions between fellow enterprises in FDI statistics although in practice it is almost always debt as equity transactions and positions between fellow enterprises are rare. While fellow enterprises might not be covered in FDI aggregate statistics that are currently disseminated by Egypt as part of BOP and IIP under BPM5 methodology, the compilation system of GAFI includes entries to identify equity and debt positions between fellow enterprises. These are referred to as 'related parties to FDI' in the system. According to table 4, 28 OECD countries cover debt transactions (29 countries cover debt positions) between fellow enterprises in their inward FDI statistics and 28 cover them in their outward FDI statistics (26 countries cover them in their outward positions). The United States partially cover them as only fellows that are ultimately controlled by the same parent through a majority ownership chain are covered, while the minority owned ones are excluded.

In FDI statistics, the international guidelines lay out special cases to help clarify what should be covered in FDI statistics. BPM6 and BMD4 call for real estate to be covered in FDI statistics. Egypt does cover real estate transactions in its inward and outward data. The data source for inward and outward FDI is the CBE's International Transaction Reporting System (ITRS).<sup>7</sup> All OECD countries cover commercial real estate transactions in their FDI statistics, and most cover private, or residential, real estate transactions including the major OECD investors in Egypt with the exception of the United States (table 4).

The international guidelines recommend that construction enterprises that are present in a single economy for more than a year, and thus meet the criterion for residency, and also fulfil the other requirements for being considered a separate institutional unit are to be included in FDI statistics. Similarly, operators of mobile equipment such as ships, aircraft, and drilling rigs, are to be included in FDI statistics if they are resident in the economy for more than a year and meet the other requirements for being considered a separate institutional unit. Even if it is not possible to separately identify them, the new system based on financial statements of companies should allow the coverage of those specific entities if they meet the criterion for being treated as separate institutional units. For example, information from operators of oil and gas drilling rigs (which are classified under services sector in the system as they are used for downstream oil and gas exploration) as well as construction enterprises should be covered given that the GAFI maintains a comprehensive internal database on all registered 'investment' companies.

Special Purpose Entities (SPEs) are entities whose role is to facilitate the internal financing of the MNE but that have little or no physical presence in any economy. As such, it can be difficult to identify the residency of SPEs. BPM6 and BMD4 clarified that SPEs should be assigned residency in the economy where they are incorporated or registered. While the funds that pass through SPEs do not have much impact, if any, on the economy in which they are resident, BPM6 points out that it is important to cover them in the BOP and IIP accounts because "a) they are an integral part of a direct investor's financial transactions with affiliated enterprises; b) the exclusion of these funds from direct investment would distort and substantially understate direct investment financial flows and positions at the aggregate level; and c) the inclusions of these data in direct investment promotes symmetry and consistency among economies" (BPM6, paragraph 6.34).

Most, if not all, of the financial transactions of SPEs are funds that are simply passing into and out of an economy on its way to other destinations. Such funds—also called pass-through capital or capital-in-transit—distort the country patterns of FDI statistics and cause double-counting in the statistics. As a result, BMD4 recommends the

inclusion of SPEs in FDI statistics but also recommends that they be separately identified. The separate identification of FDI associated with SPEs enables these flows and positions to be removed from the aggregate FDI statistics yielding measures of FDI associated with non-SPE, or operating, affiliates. This results in more meaningful measures of direct investment into and out of an economy by removing FDI that involves funds simply passing through the economy via SPEs on their way to other destinations. For the country hosting the SPEs, this recommendation improves the measurement of FDI by excluding inward FDI that has little or no real impact on their economies and by excluding outward FDI that did not originate from their economies. In addition, there are often concerns about the quality of the data collected on SPEs because SPEs have little presence in the reporting economy and because there is often little other data available to confirm their responses. By separately identifying them, the higher quality data available for operating affiliates is separately available. This can be useful for data users who may be concerned about the quality of the data on SPEs, especially in countries where SPEs play a large role.

GAFI indicated that SPEs are present in the economy, and the new system developed by GAFI allows for the identification of SPEs. In addition, GAFI says that SPEs are required to register with them, and, so, they have complete and up-to-date information on SPEs. However, information related to SPEs in Egypt is not yet separately available. While there is no standard definition of SPEs, the international recommendations include a list of criteria that an enterprise should meet to be considered an SPE.<sup>10</sup> In practice, countries use a variety of criteria in determining if an entity is an SPE because it can be difficult to identify SPEs in a comprehensive manner. In its methodology, GAFI should clarify the characteristics of SPEs that are used to identify them and whether SPEs are included in the aggregate statistics that it publishes or not. In the future, GAFI should explore the separate publication of FDI associated with SPEs. Table 5 reports the results from the metadata survey for countries that cover SPEs in their statistics. Of the 22 countries that reported SPEs are established in their economy by foreign investors, 20 cover SPEs in their statistics, and 17 report FDI statistics for resident SPEs separately. Most countries use multiple data sources and criteria to identify SPEs in their FDI statistics. The three most important criteria are that the entity has few or no employees, that foreign assets and liabilities account for a substantial share of total assets and liabilities, and that it be foreign owned. Only four countries have a special register for SPEs. While foreigners do not establish SPEs in Italy, they do in the United Kingdom (who identifies them using a dedicated question in the FDI survey), in the United States (although they are not significant), and in the Netherlands, which examines number of employees and the share of foreign assets and liabilities in total assets and liabilities.

As an example, the Central Bank of Hungary works with the Central Statistics Office of Hungary to identify resident SPEs. They use available indicators that capture the main characteristics of the enterprises and to determine that they have minimal links to the domestic economy. The main criteria they examine are: in their balance sheet, the ratio of nonfinancial to financial assets is minimal and these financial assets consist mostly of equity, long-term loans, and securities; they report little turnover, and the turnover they do have derives primarily from exports; the number of staff is very low (1 to 3 persons); they have high capital reserves which they immediately lend or use to purchase equity abroad or establish branches abroad; they have no subsidiary in Hungary or, if they do have a subsidiary in Hungary, it also meets the criteria of an SPE; material costs are negligible; and, finally, the name of the enterprise refers to the off-shore nature of the enterprise.

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<sup>10</sup> The Balance of Payments Committee of the IMF recently formed a Task Force on SPEs; one of the tasks for this task force is to review possible definitions of SPEs to ensure comparability of data on SPEs across countries.

**Table 5. How many OECD countries compile FDI statistics for resident SPEs?**

	OECD	GB	US	IT	NL
<b>SPEs are established by non-residents in the economy</b>	22	√	√ but not significant		√
<b>SPEs are included in FDI statistics</b>	20	√			√
<b>FDI statistics excluding resident SPEs are compiled separately</b>	17	√			√
<b>Identification of SPEs through:</b>					
<b>Separate business register for SPEs</b>	4				
<b>Based on industry classification</b>	8				
<b>Based on number of employees</b>	13				√
<b>Based on share of foreign assets (liabilities) in total assets (liabilities)</b>	12				√
<b>Based on turnover</b>	6				
<b>Based on foreign control</b>	11				√
<b>Information from government regulatory and licensing authorities</b>	3				
<b>Other criteria</b>	6	Question included in the questionnaire			

Source: OECD Metadata survey on BMD4

### 3.1.2. Statistics by partner country and by industry

The international standards recommend that aggregate statistics be presented according to the asset/liability principle. The asset/liability principle classifies financial and income flows and positions according to whether the direct investment transaction or position is an asset or a liability to the reporting economy. The asset/liability presentation puts the FDI statistics on the same basis as other statistics in the BOP and IIP accounts. As such, these statistics are most appropriate for macroeconomic analyses. For example, looking at the impact of direct investment on the current account of a country, it would be best to use direct investment income receipts and payments measured on an asset/liability basis because the other items in the primary income account are also measured on an asset/liability basis. Similarly, comparing direct investment stocks and financial flows to portfolio investment, both measured on an asset/liability basis, can provide insights into the attractiveness of the economy to direct investors, who are interested in making long term investments that involve undertaking management of the company and likely results in technology transfer and other spill-overs, compared to portfolio investors, who are interested in earning more passive investment income.<sup>11</sup>

In contrast, the directional principle classifies the financial and income flows and positions as to whether the direct investment was by a resident of that economy to another economy (outward) or was an investment by a foreign resident into the economy (inward). The directional basis is useful for examining the motivations and impacts of FDI. It is generally best to use the statistics excluding SPEs because they better represent the actual investment into and out of a country and, thus, the FDI that is more likely to have a significant impact on the economy. The detailed statistics by country and industry on the directional basis are most useful for examining questions, such as which countries are the most important sources of direct investment in the reporting economy and which industries they are investing in. For this reason, BMD4 recommends that detailed statistics by partner country and by industry be compiled on a directional basis. The IMF also recommends that its Coordinated Direct Investment Survey (CDIS) be on a directional basis.

Under the directional presentation, the direct investment flows and positions are organized according to the direction of the investment for the reporting economy—either outward or inward. For a particular country, all flows

<sup>11</sup> For more information on BOP analysis, see BPM6.

and positions of parents resident in that economy are shown under outward investment, and all flows and positions for affiliates resident in that economy are shown under inward investment. Under the directional presentation, reverse investment is subtracted to derive the amount of total outward or inward investment of the reporting country. So, if a resident parent borrows money from one of its foreign affiliates, this is subtracted in calculating the reporting country's outward investment because it reduces the amount of money that country's parents have invested in their foreign affiliates. Similarly, if a resident affiliate lends money to its foreign parent, this is subtracted when calculating inward investment because it reduced the amount of money that the foreign parent has invested in that country.<sup>12</sup> In contrast, all assets and all liabilities are simply added up under the asset/liability presentation.

BMD4 recommended that the directional principle be extended to transactions between fellow enterprises; thus, this presentation is called the extended directional principle. The extended directional principle better reflects the direction and degree of influence exerted by resident and non-resident direct investors in the reporting economy. That is, a resident fellow did not achieve any influence over a foreign fellow if it made a loan to that foreign fellow—the influence remained with the direct investor common to both fellows. Similarly, a foreign fellow did not achieve any influence over a resident fellow by extending a loan to it—the influence remained with the direct investor common to the fellows.

In BMD4, the recording of flows and positions between fellow enterprises in a reporting economy depends on the residence of the ultimate controlling parent (UCP) of the fellow enterprise because it is the UCP that ultimately controls the transactions of the fellow. While this treatment applies to both equity and debt investments between fellows, equity investments are rare so it is debt that has the biggest impact on the statistics. If the UCP of the fellow enterprise is resident in the economy, then loans by and to the fellow enterprise are treated as outward investment. Any loan from a fellow enterprise to a fellow enterprise resident in another economy is treated as an increase in outward investment by the reporting economy because it represents an increase in the influence that a resident direct investor (the UCP) has on the direct investment enterprise in another economy. Similarly, if the fellow enterprise receives a loan, it reduces outward direct investment just as it would if the UCP had received a loan because such investment reduces the total amount the resident direct investor—the UCP—has invested abroad.

In compatibility with the international standards, Egypt presents its aggregate FDI statistics according to the asset/liability principle. However, it uses the asset/liability presentation for inward FDI flows by partner country that are currently disseminated by the CBE, which is not recommended. Moreover, as already indicated in the *FDI trends* section, details by partner country are only available for the increases in liabilities, while decreases in liabilities are excluded. Finally, only inward FDI financial flows by immediate partner country and by industry are currently publicly available from the CBE. The new system developed by GAFI for compiling inward and outward FDI position statistics by partner country and by industry has been designed to compile the statistics on an extended directional basis as it includes entries for reverse investment transactions and transactions between fellow enterprises as well as information on the UCP. As such, the new system will bring the detailed FDI position statistics disseminated by Egypt in line with the recommendations in the latest international standards and with the requirements for the CDIS.

Table 6 presents the types of FDI statistics disseminated by OECD countries. All OECD countries publish FDI financial transactions and positions by immediate partner country for inward FDI statistics and positions by immediate partner country for outward statistics while all but one publish financial transactions by partner country for outward investment. Almost all OECD countries publish inward and outward FDI statistics by industry. All OECD countries use either the directional principle or the extended directional principle to record these detailed statistics. There are 4 OECD countries including the Netherlands that use the directional principle, i.e., those that record transactions between fellow enterprises on an asset/liability basis. Of the other 28 economies, 23 including Italy base the extended directional principle on the residence of the UCP while 5 base the extended directional basis on the residence of the direct investor. These 5 economies, which include the United Kingdom and the United States, use the residence of the direct investor because information on the UCP is not available.

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<sup>12</sup> While reverse equity investment is to be treated the same way as reverse debt investment, it is so rare that most of the difference between the two presentations is due to differences in the treatment of reverse debt investment.

While BMD4 makes clear that the extended directional principle based on the UCP is preferred, the experience of OECD economies demonstrates that the extended directional principle based on the residency of the direct investor or the basic directional principle is possible if the information on the UCP is missing. In countries with few fellow enterprises making loans to other parts of the MNE or with few resident UCPs, there may be little actual difference between the extended directional principle and the basic directional principle in practice. The compilation system developed by the FDIU includes the identification of the UCP, but the field is not completely populated because the information is not readily available in the company financial statements. Until the information becomes available, the FDIU could use either the basic directional principle or the extended directional principle based on the residency of the direct investor.

**Table 6. What type of FDI statistics do OECD countries compile?**

	OECD	GB	US	IT	NL
<i>FDI by partner country</i>					
<b>Inward FDI transactions by immediate partner country</b>	34	√	√	√	√
<b>Inward FDI positions by immediate partner country</b>	34	√	√	√	√
<b>Inward FDI positions by Ultimate investing country</b>	13		√	√	
<b>Income on inward FDI by immediate partner country</b>	33	√	√	√	√
<b>Outward FDI transactions by immediate partner country</b>	33	√	√	√	√
<b>Outward FDI positions by immediate partner country</b>	34	√	√	√	√
<b>Income on Outward FDI by immediate partner country</b>	33	√	√	√	√
<b>Use of debtor/creditor principle for partner country allocation</b>	33	√	√	√	√
<i>FDI by economic activity</i>					
<b>Inward FDI transactions by industry</b>	33	√	√	√	√
<b>Inward FDI positions by industry</b>	33	√	√	√	√
<b>Income on inward FDI by industry</b>	32	√	√	√	√
<b>Outward FDI transactions by industry</b>	32	√	√	√	√
<b>Outward FDI positions by industry</b>	33	√	√	√	√
<b>Income on Outward FDI by industry</b>	32	√	√	√	√
<b>Use of ISIC4 classification for industry allocation</b>	24	√		√	√
<b>Compilation of outward FDI according to the activity of the non-resident direct investment enterprise</b>	20	√	√	√	
<b>Compilation of outward FDI according to the activity of the resident direct investor</b>	20	√	√		√
<b>FDI statistics are compiled according to the directional/extended directional principle</b>	34	√	√	√	√
<b>Method used to record debt transactions between fellow enterprises</b>					
<b>Directional principle based on UCP residency (extended directional principle)</b>	25	√		√	
<b>Directional principle based on direct investor residency</b>	4		√		
<b>Asset liability principle</b>	4				√

Source: OECD Metadata survey on BMD4

There is another important principle for the recording of FDI statistics by partner country: the use of the debtor/creditor principle instead of the transactor principle. According to BPM6 and BMD4, the debtor/creditor principle should be used as the basis for the geographical allocation of FDI statistics rather than the transactor principle. Under the debtor/creditor principle, claims and liabilities are recorded according to the country of the party that actually has the financial claim or liability. In contrast, under the transactor principle, the claims or liabilities are allocated to the country of the entity involved in settling the transaction, which could differ from the country of the parents or affiliates undertaking the transaction. While 33 out of 34 OECD economies do use the debtor/creditor principle, it is likely that the debtor/creditor principle might not be fully applied in inward FDI flows by partner country which are currently disseminated by the CBE given that one source used to compile the information is the ITRS; ITRS systems tend to produce data based on the transactor principle. In addition, in the compilation system developed by GAFI, the

partner country allocation is currently based on the citizenship rather than the residency of the direct investor as is recommended in the international standards. GAFI has enabled the implementation of the residency principle in the compilation system, but it has not been used yet as there is need to populate the information on the residency of the investors. The FDIU has begun this process for some of the well-known Egyptian shareholders who are residents in other economy. Full implementation of the residency principle would not only bring the statistics into closer alignment with the international standards but would also remove this as a possible source of bilateral asymmetries.

The financing structures of MNEs have gotten more complex over time in response to several factors, including the need to manage global production networks and the desire to minimize tax and regulatory burdens. This complexity can distort FDI statistics in a couple of ways. First, when MNEs channel investments through several countries, FDI flows are inflated because each flow into and out of each country is counted even if the capital is just passing through. Second, it obscures the ultimate source and destination countries of FDI. To address this issue, BMD4 recommends that countries compile inward investment positions according to the Ultimate Investing Country (UIC) to identify the country of the investor that ultimately controls the investments in their country as a supplemental presentation. That is, the inward position should be shown by UIC in addition to the presentation by immediate partner country and not in place of it. This presentation better captures where the investment in a country is coming from. These statistics show the country of the direct investor who ultimately controls the investment and, thus, bears the risks and reaps the rewards of the investment. This presentation can result in substantial changes in the distribution of inward positions by country and provides information on the countries of the direct investors that ultimately control the foreign investments in the reporting economy.

The ultimate investor is identified by proceeding up the immediate direct investor's ownership chain until an enterprise is reached that is not controlled by another entity (that is, more than 50 percent of the voting power is not owned by another entity). If there is no enterprise that controls the immediate direct investor, then the immediate direct investor is the ultimate investor. GAFI has included the identification of the UIC in its compilation system. However, the financial statements GAFI uses as the main data source do not include information on the UIC, so GAFI has begun to explore the feasibility of compiling the inward FDI position statistics by UIC for the largest direct investment enterprises from the most important source countries. While it is often possible to collect information on the UIC on FDI surveys, this option is not available to GAFI. In the absence of a survey, GAFI could use other sources, such as information available on the company and parent company websites and commercial databases. However, there will likely be specific cases for which it might be challenging to identify the UIC from existing sources and which may require specific follow-up by the FDIU.

To convert from the standard presentation by immediate investing country, the entire FDI position attributed to the immediate direct investor is moved from its country to the country of the ultimate investor. Unlike the presentation by immediate direct investor, the presentation by UIC can show inward investment controlled by investors in the reporting economy; this is inward FDI resulting from round-tripping. Round-tripping is when funds that have been channelled abroad by resident investors are returned to the domestic economy in the form of direct investment. It is of interest to know how important round-tripping is to the total inward FDI in a country because it can be argued that round-tripping is not genuine FDI into an economy. Fourteen OECD countries currently produce inward position by UIC with several more expected to do so in the future.

For the classification of FDI statistics by industry, the classification for inward investment is straightforward with the classification based on the economic activity of the direct investment enterprise being the standard. However, it is not as straightforward for outward investment statistics where the classification could be either by the economic activity of the resident direct investor or by the economic activity of the foreign direct investment enterprise. While BMD4 recommends that countries compile outward FDI statistics by both the industry of the direct investor and the direct investment enterprise, it recognizes that this is unlikely to be possible for many countries. Therefore, it gives slight preference to the compilation according to the industry of the direct investment enterprise. For outward statistics, this would provide information on the industries that the economy's MNEs are choosing to invest in overseas. However, both presentations can be useful. Inward FDI flows by industry that are currently disseminated by the CBE use an internal industry classification (see Table 2 under the *FDI Trends* section). However, the International Standard industry Classification Rev 4 (ISIC4) has been integrated in the compilation system developed by GAFI to produce inward



statistics by industry in line with international recommendations. It would be valuable if the system allowed for the allocation of outward FDI statistics to the activity of the non-resident direct investment enterprise on top of the direct investor, although this could be challenging. Among OECD economies, 20 compile detailed outward investment statistics according to the industry of the foreign direct investment enterprise and 20 compile according to the industry of the direct investor, of which 7 countries compile according to both (table 6).

As shown in the *FDI trends* section, around 20% of total FDI inflows currently published by the CBE are not allocated to any specific industries. Preliminary estimates of inward FDI positions by industry at-end 2013 that were presented by GAFI to WGIIS in October 2016, and which were produced from the new compilation system, do not show significant unallocated amounts because the new system is better at identifying the activities of the direct investment enterprise. At the start of 2017, GAFI began to help the CBE with the allocation of FDI to activities. Prior to this help, the unallocated share was about 38%, but this fell to only 5% with the assistance from the FDIU. This highlights the potential benefits from cooperation between the CBE and the FDIU in the compilation of FDI statistics and that these benefits are not limited to improved position statistics but could also improve FDI transaction statistics as well. The new system should also enable more timely production of statistics by industry, as further described in the *Timeliness* section.

### 3.2.3. Recommendations

The FDI statistics currently disseminated by the CBE are according to BPM5, but there are some important issues with coverage. The new compilation system based on financial statements of enterprises developed by GAFI includes many advanced features which would improve the coverage of the detailed statistics but will also better align the aggregate IIP statistics to BPM6 standards once the system is in use. This is important for comparability across countries and for enabling BOP and IIP analysis to understand a country's international economic relationships. We offer some recommendations for achieving these results below with further discussion in some of the later sections.

The key recommendations are:

- In the short term, it would be useful to clarify the current availability of FDI flows and income by instruments in the IMF BOP and IIP database, which differs from what the metadata information from the Central Bank and IMF websites indicates is available in terms of instrument coverage. In particular, clarifying why equity capital inflows and outflows are not available from the IMF BOP database, as well as FDI income interest paid abroad. Differences which currently exist are confusing for the users of the statistics who might not fully understand what is included in the statistics.
- Begin to disseminate the FDI position statistics compiled from the new system developed by GAFI as soon as possible as these statistics are aligned better with BPM6 and BMD4. For the aggregate position statistics, the coverage would be improved by use of the Framework for Direct Investment Relationships to identify all entities in a direct investment relationship; the coverage of debt instruments would align with the international recommendations; and fellow enterprises would be covered. For the detailed statistics by partner country and by industry, the new system developed by GAFI would be able to compile the statistics according to the directional principle as recommended in BMD4. This would also enable Egypt to begin to participate in the IMF's CDIS as it calls for positions to be compiled according to the directional principle. The basic directional principle could be used as a first step, and the extended directional principle as a second step if transactions and positions between fellow enterprises identified through the new system proved to be significant and the information on UCP is populated. Even if only the basic directional principle is used, it still provides more meaningful information by capturing the direction and degree of influence than the asset/liability presentation does. Since it can be confusing for data users to have two different presentations of FDI statistics, the OECD's WGIIS developed a standard table that can be used to reconcile the two sets of statistics to help users understand the relationship between the two presentations and reconcile the statistics. This presentation is discussed further in section 3.7. on coherence of the statistics. This can be used by Egypt and posted on the CBE website when the statistics are released, as we understand that the CBE will be responsible for the dissemination of detailed position statistics once they become available.

- In the GAFI system, the replacement of the citizenship concept with the residency concept should continue to comply with international recommendations. The implementation of residency, a fundamental concept underlying FDI statistics, would also improve comparability with partner country statistics who are applying international standards for their FDI statistics.
- Ensuring close cooperation between the FDIU and the CBE will be important to ensuring that the FDI statistics compiled and disseminated by each agency are consistent in their coverage. As discussed further in the section on coherence, the relationship between FDI transactions and FDI positions requires that each set of statistics be compiled in a consistent manner. Cooperation will also ensure that the statistics will take advantage of the capabilities and strengths of the data sources and methods used by each agency, as evidenced, for example, by the improvement in allocation to industry achieved with use of the FDIU compilation system.

52. Other recommendations include:

- Coverage of FDI could be improved by ensuring that SPEs are covered in the aggregate statistics and further by the separate identification of SPEs. This would improve the usefulness and quality of FDI statistics as well as reducing bilateral asymmetries.
- Continue to develop the UIC presentation for inward FDI positions by partner country, on a supplemental basis, based on the information on the UCP, which is being added to the system. This presentation is relatively straightforward to implement and can provide important information on who a country's ultimate investing partners really are. Egypt might encounter challenges in the identification of the UCP, like many OECD countries, which is why the WGIIS will be developing additional guidance for the identification of the UIC, through its Electronic Discussion Group on the UIC.
- As will be discussed in Section 4, providing timely statistics as well as developing a long-time series by instrument breakdown can be useful for data users. For example, it can help users understand the extent to which foreign-owned firms are financed from their earnings or rely on debt or equity investment.

### **3.2. Accuracy**

The accuracy of data is the degree to which the data correctly estimate or describe the quantities or characteristics they are designed to measure. Accuracy refers to the closeness between the values provided and the (unknown) true values. Accuracy has many attributes, and, in practical terms, there is no single aggregate or overall measure of it. Key to improving accuracy is the use of reliable data sources and sound estimation methods.

Sound data sources and estimation methods are keys to ensuring the accuracy of FDI statistics. Statistical surveys are considered to be a necessary part of the compilation system for FDI statistics because it is the only way to collect all of the information on intra-firm transactions needed to completely follow the international guidelines for FDI statistics. In practice, countries often rely on a multitude of data sources to compile their FDI statistics; by using information available from other sources, they reduce the reporting burden on companies. For estimation methods, it can be difficult to estimate for non-response due to the volatile nature of some components of FDI statistics.

This section begins with an assessment of the data sources used to compile FDI statistics by the GAFI. It, then, discusses estimation methods. Finally, it discusses the valuation methods for FDI positions. A discussion of valuation methods is included in this section because the valuation of FDI equity positions at market values often requires the collection of specific information and the use of estimation methods. The description includes data sources, estimation methods and valuation methods which are used for compiling FDI statistics which are currently disseminated by the CBE, as well as those which are used in the compilation system developed by the GAFI in cooperation with the Central Bank and the Ministry of Petroleum to produce FDI statistics according to BPM6 standards.

### 3.2.1 Data sources

Almost all OECD countries use a statistical survey system to compile FDI statistics (table 7) including the four major OECD investors in Egypt; an exception is Spain which uses administrative data as its primary data source. Currently, BOP and IIP FDI statistics which are disseminated by the CBE use the ITRS as the primary data source for compiling FDI flows. Non-residents' share of 10 percent or more of the capital in Egyptian enterprises are used from the Capital Market Authorities; and direct investment in the petroleum sector is derived from the Ministry of Petroleum. Reinvested earnings are derived from information provided by the GAFI.<sup>13</sup> FDI positions currently published as part of the IIP correspond to accumulation of FDI flows, which is not a method recommended in BMD4.

There were attempts in the past by the GAFI to collect information to compile inward FDI positions through an enterprise survey to support the Central Bank with the production of FDI positions as part of the IIP. However, the response rate was very low, and GAFI decided to abandon surveying enterprises and to put in place a compilation system based on financial statements foreign-owned enterprises are required to report to GAFI and other government authorities. The institutional framework and organisation for the design of this new compilation system will be further discussed under the *Credibility* section. FDI statistics compiled from this system are based on three main sources. The major data source used is the financial statements submitted by investment companies (all registered in the GAFI database) and by commercial banks and financial intermediaries through the Central Bank. The second source of information is input provided by the Ministry of Petroleum, which includes financial information on all the current Production Sharing Agreements (PSAs) on upstream exploration companies. The form to collect the information from the Ministry of Petroleum was developed in cooperation with the IMF-METAC statistics advisers. The last main source of information is the CBE's ITRS which provides information on real estate transactions. In addition, GAFI has completed a protocol with the Egyptian Financial Services Authority that will enable the coverage of the non-bank financial sector by providing information from their database of companies. Additional sources are also used: the stock market provides information on the share prices and financial statements of listed traded companies; other statistical agencies provide information on multinational activities like employment, turnover, and wages; information from press reports or published sources are used for filling in missing information from financial statements; financial auditors provide information about the shareholders; the UCP information is collected from the company websites themselves or from the parent company websites. All of these are data sources used by OECD countries as well.

**Table 7. How many OECD countries use a survey system to compile FDI statistics?**

	OECD	GB	US	IT	NL
<b>FDI transactions</b>	28	√	√	√	√
<b>FDI income</b>	30	√	√	√	√
<b>FDI positions</b>	31	√	√	√	√

Source: OECD Metadata survey on BMD4

58. Reporting requirements are mandatory in all but one OECD country, and confidentiality is protected by Law in all but two countries (table 8). Since 2013 in Egypt, companies are required by Law to report their financial statements to the GAFI, and confidentiality of the information is also required by Law.

**Table 8. What is the legal framework in OECD countries for compiling FDI statistics?**

	OECD	GB	US	IT	NL
<b>Reporting requirements are:</b>					
<b>Compulsory</b>	31	√	√	√	√
<b>Voluntary</b>	1				
<b>Confidentiality of respondents is protected by Law</b>	32	√	√	√	√

Source: OECD Metadata survey on BMD4

<sup>13</sup>According to BOP metadata available for Egypt on the IMF website.

While Egypt does not use a survey to compile its FDI statistics, the recently developed system based on financial statements reported by companies is supported by an internal business registration database where all investment companies are registered. Almost all of the OECD countries that collect data on FDI from surveys make use of a business register (table 9). It can be difficult to keep a business register for FDI surveys up-to-date because firms can enter and exit the FDI universe in a number of different ways. For example, a firm can enter as a new establishment or an existing firm can be purchased by a foreign investor; similarly, a firm can exit the universe by being shut down, but it can also be sold to a domestic investor. To ensure that their business registers are kept up-to-date, OECD countries use a wide variety of different sources to update them. Table 9 indicates that the Office for National Statistics in the United Kingdom uses information from commercial databases and information on value added taxes and on Income Tax and National Insurance Contributions collected by the Revenue and Customs authority; the Bureau of Economic Analysis in the United States uses business registers maintained by tax and other statistical authorities, press reports, direct investment surveys themselves and commercial databases; Italy uses industry associations, direct investment surveys but also information from the Chamber of Commerce as does the Netherlands. GAFI maintains the database for any entry or exit from the FDI universe as well as any increases or decreases in the shareholder percentages. Currently, financial statements of the top 500 companies out of a total of 24 000 registered, representing about 80% of the total inward positions, are processed in the system to produce the statistics. While FDI is usually dominated by large firms (especially listed companies), this indicates that about 2% of firms account for 80% of the inward position, which would be much more concentrated than in most countries. This could indicate a problem with the estimation of positions for those not included in the sample.

**Table 9. How many OECD countries use a business register?**

	OECD	GB	US	IT	NL
<b>Use of a business register</b>	30	√	√	√	√
<b>Sources used update the business registers:</b>					
<b>International transactions reporting system list of transactors</b>	7				
<b>Investment promotion agencies</b>	1				
<b>List of exporters and importers from the international trade system</b>	3				
<b>Business register of another statistical authority</b>	11		√		
<b>Business register from government regulatory and licensing authorities</b>	12				
<b>Business register from tax authorities</b>	11		√		
<b>Stock exchange authority</b>	4				
<b>Industry associations</b>	2			√	
<b>Debt register</b>	1				
<b>Press reports</b>	14		√		
<b>Compulsory direct investment surveys</b>	11		√	√	
<b>Voluntary direct investment surveys</b>	1				
<b>Commercial databases</b>	6	√	√		
<b>Other</b>	7	√		√	√

Source: OECD Metadata survey on BMD4

The response rate for the top 500 firms included in the sample is around 84% annually. In 2016, 1,842 companies' financial statements were included in the sample, representing 6.4% of the firms, but 83.9% of the total capital of the population and 92.4% of the direct investment position. Response rates are generally improved with the mandatory aspect of the data collection method, which is the case in Egypt as companies are required by Law to report their financial statements to the GAFI. Another important aspect indicated by GAFI, which should improve the response rate, is that companies are contacted directly when information from balance sheets is missing or incomplete. Direct contacts with companies is very important to improving response rates, as companies may be encouraged to report if

they understand why the data are being collected and how the data will be used—especially if those uses are limited to statistical purposes and preclude the use of the reported data for regulatory, policymaking, or investigative purposes.

### *3.2.2. Estimation methods*

In the new system based on financial statements of 500 top investment companies, missing information is estimated by the GAFI using the information from financial statements received in the last period for companies who already submitted financial statements in the past, and by using information available from the business registration database on paid in capital and shareholders ownership structure for companies who never reported their financial statements. In the first case, if the business registration indicates a change for example in the shareholder's ownership, or shareholders exits, than those updates are considered when using the information indicated on the balance sheet received in the previous period. GAFI also uses these estimation methods for small companies, for which financial statements are not requested and which represents 20% of total FDI positions. It can be difficult to estimate some FDI statistics due to their volatile nature, but this is less of an issue for positions of small companies so these estimates should be of high quality. As mentioned above, the extremely high share of the position accounted for by the largest 2% of firms could indicate a problem with estimation for small companies. Therefore, the possibility of expanding the data collection beyond the top 500 reporting firms should be explored.

### *3.3.3. Valuation*

The international guidelines recommend the use of market values to value FDI positions. One reason for this is that the other components of the IIP are measured at market values, so this ensures consistency across the IIP. However, for direct investment enterprises, it can be difficult to produce market values because the equity is often not listed. Therefore, it is often necessary to use alternative measures to develop estimates of FDI positions at market value. BPM6 and BMD4 both offer a variety of methods to estimate market values for unlisted equity. Because differences in valuation can often be an important source of bilateral asymmetries in FDI data, the international community is looking at more standardisation of methods to produce market value. For example, the IMF recommends that countries use Own Funds at Book Value in reporting on the CDIS because one of the goals of that survey is to allow countries to make bilateral comparisons in the hopes that they will be able to resolve them and improve their data.

As already mentioned, FDI positions which are currently disseminated by the CBE as part of the IIP correspond to the accumulation of FDI flows, which is not recommended under the latest international standards. This method fails to account for factors that can have a significant impact on FDI positions, including cumulative reinvested earnings, depreciation of fixed assets, and holding gains and losses at the direct investment enterprise. The compilation system developed by GAFI uses company financial statements, which is in line with the international recommendations; it will account for the factors missed by the accumulation of flows and, so, will produce better measures of FDI positions. Countries that have moved from the accumulation of flows to a system based on data reported by companies have often found their position statistics are considerably different. It is likely that this will be the case for Egypt given the differences between the position statistics currently published by the CBE and the internal estimates compiled by GAFI. As a result, it will be important for the two agencies to work closely together to explain to users the source of revisions to the statistics.

The new system also allows for the compilation of FDI positions according to market values for listed equity positions and according to book values for unlisted equity positions. As discussed further in the section on coherence, it should also be possible to calculate the impact of price and exchange rate changes on the positions compiled by GAFI. BMD4 and BPM6 do not recommend using book value for FDI positions because the term book value just indicates that it is the value on the books of either the direct investor or the direct investment enterprise. The books can encompass a lot of different valuation methods, especially as the foreign direct investors may be following a variety of accounting methods. The methods described in BMD4 for estimating unlisted equity can be difficult to implement, but there is one method that is accepted as a measure of market value and is widely used by countries—the Own Funds at Book Value. This is the shareholder's equity in the balance sheet of the direct investment enterprise and is equivalent to the book value on the direct investment enterprise's books when International Financial Reporting Standards (IFRS) are followed.

This method brings the value of the position closer to current period prices by permitting the revaluing of tangible and financial assets.<sup>14</sup> Because this is a common method for countries to use, it is the recommended valuation method in the IMF's CDIS. As table 10 shows, 29 OECD countries use Own Funds at Book Value for valuing at least part of their positions, including the United Kingdom and Italy. The United States use book values reported according to U.S. Generally Accepted Accounting Principles while the Netherlands use a combination of net asset value excluding goodwill and intangibles, and historic or acquisition cost. The information for Own Funds at Book Value can be collected from surveys but should also be available from the financial statements used in GAFI's compilation system. Many companies that operate internationally follow IFRS and could be asked to provide the value on the direct investment enterprise's books if they do follow IFRS. If they follow another accounting standard, they may be able to offer information to convert to IFRS. According to GAFI, foreign companies operating in Egypt follow IFRS, and, so, it should be possible to produce Own Funds at Book Values estimates from the system.

Private real estate holdings, that is, second homes owned by non-residents in the reporting economy and second homes owned by residents of the reporting economy in foreign countries, are included in direct investment and should be recorded at market valuation. This can be difficult for private real estate transactions because price changes reflect developments in local housing markets. To approximate market value from acquisition prices, some countries use adjustment factors used by local tax authorities to revise property assessments in their area.

**Table 10. How do OECD countries value unlisted equity positions statistics by partner country and industry?**

	OECD	GB	US	IT	NL
Recent transaction price	2				
Own funds at book value	29	√		√	
Net asset value including goodwill and intangibles	1				
Net asset value excluding goodwill and intangibles	1				√
Market capitalisation method	1				
Present value of future earnings	0				
Apportioning global value	0				
Historic or acquisition cost	1				√
Accumulation of FDI equity flows	2				
Stock market price index applied to accumulated FDI equity flows	0				
Book value	2		√		
Other	2				

Source: OECD Metadata survey on BMD4

### 3.3.4. Recommendations

In the OECD survey, GAFI indicated that improvements are needed to the existing data sources and methods used to compile Egypt's FDI statistics. The new system based on the financial statements of enterprises is an ingenious alternative to the typical survey system used by most OECD countries for compiling FDI statistics. The other data sources used on top of financial statements seem very complete and are in line with what many other countries use. Due to the complex nature of FDI statistics, it is often necessary to rely on a number of different data sources and to combine them in a way that provides the needed information. The key recommendations are:

- Begin to disseminate the FDI positions statistics from the GAFI compilation system as soon as possible as the statistics currently disseminated are based on a method--the accumulation of FDI flows--that the international guidelines specifically say should not be used because it misses several factors that can have significant impacts on the FDI positions. GAFI's system is based on data reported by companies in their financial statements, which

<sup>14</sup> It does not permit the recognition of certain intangible assets, and some assets may remain valued at nominal or historic cost.

is in line with the international guidelines, and, which will better reflect the value of the stock of foreign investment in Egypt and of Egyptian investment abroad. Because there will likely be significant revisions to the position statistics when the statistics are disseminated, it will be important for the two agencies to work together to explain the sources of revisions to data users;

- explore the feasibility of expanding the number of companies used in the compilation of FDI positions to reduce the number of companies for which estimates are needed;
- explore the feasibility of developing Own Funds at Book Value estimates for unlisted inward and outward positions by determining the extent to which IFRS are used by reporters on the financial statements;
- explore the possibility of developing market value estimates of private real estate transactions by using, for example, adjustment factors for real estate tax assessments.

### **3.3. Credibility**

Credibility is defined as the confidence that users place in those products based simply on their image of the data producer. Confidence by users is built over time. One important aspect is trust in the objectivity of the data. This implies that the data are perceived to be produced professionally in accordance with appropriate statistical standards, and that policies and practices are transparent. For example, data are not manipulated, nor their release timed in response to political pressure.

The Memorandum Of Understanding (MOU) which was signed in September 2016 between the CBE, the Ministry of Investment (to which the GAFI is affiliated), and the Ministry of Petroleum to shape the legal framework for the compilation of FDI statistics in Egypt and determine the role of each entity could improve the quality of the FDI statistics produced by Egypt by improving coverage and moving the statistics to BPM6 and BMD4. However, such an arrangement could also raise issues for several quality dimensions, including credibility. These issues can arise from a couple of areas. First, the existence of multiple agencies responsible for the compilation and dissemination of FDI statistics within a country can be confusing for data users. To avoid this, it is necessary to have coordination between the different agencies involved in FDI statistics. For example, in OECD countries with more than one agency involved in FDI statistics, they often have joint statistical releases to ensure consistency between the statistics and analyses. We understand that through the MOU, the GAFI will be responsible for the compilation of FDI position statistics and the detailed statistics by partner country and industry while the CBE will be responsible for the compilation of FDI flows as well as the dissemination of aggregate FDI statistics in the BOP and IIP accounts. GAFI will use the data for investment policy and investment advocacy and will also support the Central Bank for the dissemination of reliable and accurate FDI data for the purpose of BOP, IIP and also CDIS statistics. This brings us to the second issue. It is important that the providers of statistics be independent from political considerations and pressure. This is especially the case when the agency producing the statistics is part of the Ministry responsible for investment policy. It is possible to have a statistical unit housed within a policy-making and advocacy organisation, but it is important that users understand that the statistical unit is shielded from political pressures so that the statistics are objective. This can be done through institutional arrangements within the agency.

The compulsory reporting requirements of financial statements that investment companies have vis à vis the GAFI accompanied by a promise of confidentiality (as discussed above) are important factors in enhancing credibility because they improve reporting and raise confidence of data reporters of the care with which their data are handled. Staff training on the international guidelines; collecting, compiling, and analysing the data; and in information technology is another factor to enhance the credibility of the statistics. GAFI provided information on the extensive training that its personnel take on FDI concepts and definitions, data analysis and modelling, financial analysis of companies, business report writing, and software. In addition, GAFI worked with the IMF METAC advisors on the development of their compilation system. Finally, adhering to the international guidelines for compiling the statistics<sup>15</sup>

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<sup>15</sup> FDI statistics as part of BOP and IIP currently disseminated by the IMF follow the BPM5 standards, however the new compilation system developed by GAFI is aimed at producing BOP and IIP statistics in line with BPM6 standards.

as well as subscribing to the Special Data Dissemination Standard of the IMF are important ways to demonstrate credibility in the compilation and dissemination of FDI, and other, macroeconomic statistics.

However, there are additional steps that could be taken to enhance the credibility. Recommendations include:

- It will be important for credibility vis à vis users of the statistics that all sets of FDI statistics produced from the new system, including revised FDI flows by partner country and by industry as well as FDI income, be coherent between the two agencies. It would also be useful that agencies disseminating the statistics release a complete set of statistics so that users do not have to navigate through multiple websites to get the information. Credibility will not only be improved through better accessibility of the statistics, but this will also ensure users of the statistics that even if multiple sources are used to compile the statistics, this is the result of a cooperative process among the various institutions involved. Moreover, the centralised dissemination will demonstrate that the quality of the statistics produced is approved by all institutions involved in the compilation process. The cooperation between the agencies involved could be enhanced through a joint statistical release. If it is absolutely necessary that the agencies release different sets of statistics, then the reasons for the differences need to be clearly and completely explained to users so that they can decide which sets of statistics best meet their needs.
- Increase the transparency of the compilation system by posting a methodology for the detailed FDI statistics by partner country and by industry that is accessible to data users and allows them to understand and assess the data sources, estimation methods, and compilation methods used in producing the statistics. Given the various institutions involved in the compilation of FDI statistics in Egypt, it would be useful to add detailed information on the cooperation process and to explain each agency's responsibilities in the process. It can also include links to the international standards and a discussion of deviations from the international standards. Links to methodologies of OECD countries are included in the metadata information included in the OECD FDI statistics database and could provide useful examples of methodologies to follow.
- In addition to subscribing to the SDDS, it will also be valuable to participate in other international exercises, such as the CDIS.
- Finally, the training of personnel and possibly cooperation with IMF's METAC advisors should continue in the future.

### **3.4. Timeliness**

The timeliness of data reflects the length of time between their availability and the event or phenomenon they describe, but considered in the context of the time period that permits the information to be of value and still acted upon. The concept applies equally to short term or structural data; the only difference is the timeframe.

The CBE currently produces and publishes, in cooperation with the GAFI and Ministry of Petroleum, timely FDI aggregate series as part of the BOP and IIP accounts. Egypt subscribes to the IMF Special Data Dissemination Standard (SDDS), which was established to guide IMF members that have, or might seek, access to international capital markets in the provision of their economic and financial data to the public. In accordance with the SDDS guidelines, quarterly FDI transactions, income and positions are compiled and published three months after the reference period. These data are available on the IMF Dissemination Standards Bulletin Board<sup>16</sup>, which provides a link to the country specific SDDS report (<http://mpmar.gov.eg/sdds/NSDP.htm>).

The CBE currently disseminates inward FDI transactions by partner country and by industry. At the time of writing, inward FDI transactions by partner country for the fiscal year 2015/2016 and for the first two quarters of the fiscal year 2016/2017 were available from the CBE website, as part of the monthly statistical bulletin on external statistics.<sup>17</sup> Inward FDI transactions by industry are less timely, as they were available from the CBE website as part of

<sup>16</sup><http://dsbb.imf.org/pages/sdds/countrylist.aspx>

<sup>17</sup><http://www.cbe.org.eg/en/EconomicResearch/Publications/layouts/xlviewer.aspx?id=/MonthlyStatisticalBulletinDL/>



the annual report for the fiscal year 2014/2015<sup>18</sup> only. Inward FDI positions by partner country and by industry are currently not available from the GAFI nor from the CBE websites. GAFI is currently developing its website. When it is completed, it should make for easy access to the detailed inward FDI positions by partner country and by industry. When the WGIIS Secretariat visited GAFI in April 2018, GAFI presented inward FDI positions by partner country and by industry for reference year-end 2016 and through June 30, 2017, indicating that the new system is able to produce timely estimates.

Structural FDI statistics by partner country and by industry can take a longer time to produce than FDI aggregates compiled for the purpose of the BOP and IIP. OECD recommends to its member countries that inward and outward FDI transactions, positions and income statistics by partner country and by industry be compiled and reported at **T+9 months**. The reporting deadline, fixed on 30 September each year, is similar to Eurostat and the IMF for the reporting of FDI and CDIS statistics. This deadline would be difficult to change due to the established data processing and revision cycles. A few European countries report their FDI statistics by industry details at T+ 21 months to the OECD, as per the requirements of Eurostat. The reporting deadline is well respected by OECD member countries: during the September 2017 reporting exercise, 27 countries reported their FDI statistics for the reference year 2016 to the OECD by the end of October 2017, 5 countries reported between November and December 2017 and 3 countries reported in the course of January.

Recommendations:

- Many OECD countries publish a release calendar for the dissemination of the FDI aggregate statistics (as part of BOP/IIP) and for the annual detailed FDI statistics by partner country and by industry. It would be valuable for the users if the CBE and the GAFI could publish release calendars for the aggregates and the detailed FDI statistics that are currently compiled and that will be compiled and published once new system is adopted for the production of BOP, IIP and CDIS statistics. While FDI aggregates as part of BOP and IIP are currently timely disseminated according to SDDS standards, it is important that the new compilation system maintains the good quality of timeliness currently in place.
- Egypt seems to currently compile and publish more timely inward flows by partner country compared to the OECD recommendations in terms of timeliness, as the information up to the first two quarters of the fiscal year 2016/2017 was available at the time of writing. Timeliness is an important aspect that Egypt should pay strong attention to when continuing to develop the new compilation system for FDI statistics. Egypt is encouraged to compile and publish detailed annual FDI statistics by partner country and by industry at T+9 months as recommended by the OECD to its member countries, which would also meet the deadline for the IMF's CDIS. It is not recommended to compile and publish such statistics with more than a two year time lag so as to provide users with timely structural information.

### 3.5. Accessibility

Accessibility reflects how readily the data can be located and accessed. The range of different users leads to such considerations as multiple dissemination formats and selective presentation of metadata. Thus, accessibility includes the suitability of the form in which the data are available, the media of dissemination, and the availability of metadata and user support services. It also includes whether the user has reasonable opportunity to know that the data are available and how to access them.

FDI aggregates and inward FDI flows by partner country and by industry are available on the CBE website, and can be found under the general section of 'Economic research'. This broad section is further divided into two main sub-sections: Publications and Statistics.

The accessibility of quarterly FDI aggregates published as part of the BOP and IIP is well ensured on the CBE website. At the time of writing, FDI financial flows assets and liabilities are available as part of the BOP report within

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[External Sector Data 240.xlsx&DefaultItemOpen=1#](#)

<sup>18</sup><http://www.cbe.org.eg/en/EconomicResearch/Publications/Pages/AnnualReport.aspx>

the Monthly Statistical Bulletin, published under the *Publications* section. Information is available in PDF and Excel format (under the sub-heading ‘External sector data’), for the five latest fiscal years up to 2015/2016 and the seven latest quarters up to Q2 2016/2017 (corresponding to Q4 2016 on a calendar year basis). However, FDI aggregate income credits and debits from the BOP current account are not available from those reports, which only contain total income debits and credits information. In terms of FDI aggregate positions as part of IIP, those are published together with BOP series in PDF format within the ‘Egypt External Position’ report published every quarter under the *Publications* section. At the time of writing, information on FDI positions at-end June 2017 was available. However, the *Publications* section contains a link to the SDDS information where preliminary IIP series are available at-end September 2017. While BOP and IIP series in the above mentioned reports are not available by instruments breakdown, the SDDS section does provide BOP FDI flows and income series by instrument, available in PDF format but for the latest available quarter only (Q4 2017 at the time of writing).

Long historical series of FDI aggregate flows as part of BOP can be extracted from the Statistics section, which includes a database where time series can be downloaded in Excel format as far back as Q1 of the fiscal year 2004-2005. Information by instrument breakdowns is, however, not available, and neither is information on FDI income under the current account. Finally, it seems like it is not possible to retrieve historical times series for FDI position aggregates as part of the IIP (except from the PDF reports mentioned in the previously which have to be loaded year by year).

As regards inward FDI flows by partner country, the accessibility of information is similar to the BOP information described above. FDI inflows by partner country are available from the Monthly Statistical Bulletin and from the time series database, where long historical series can be extracted as far back as Q1 of the fiscal year 2004-2005. Inward FDI flows by industry compiled by the CBE are less accessible. This information is available in the *Annual report* published under the Publication section, in PDF format only. At the time of writing, the latest information available from the CBE website was from the annual report for the fiscal year 2015-2016.

In terms of metadata accessibility, the CBE published methodological information related to the compilation of BOP statistics under the Fifth edition of the IMF Balance of Payment Manual available from the Publication/SDDS section. Methodological information could not be located for the IIP nor for the inward FDI flows by partner country and by industry which are published by the Bank.

Data and metadata information for inward FDI positions by partner country and by industry produced by GAFI are not currently available on the GAFI website because the statistics are not yet disseminated. When GAFI has finished developing its website and the statistics are published, the metadata information will be made available there. The CBE should include the metadata from GAFI on its website once dissemination of the statistics has begun so that the metadata information is consistent between the two agencies.

The following recommendations could be considered by GAFI and the CBE to improve the accessibility of FDI statistics that they compile and to further increase their relevance and credibility:

- While FDI flows series published as part of BOP are easily accessible, the accessibility of FDI income series as part of BOP and of FDI positions as part of the IIP could be further improved if users had the possibility to extract longer historical series, as is possible for FDI flows, from the *Time series* database. It would also be most valuable if details by instruments for FDI flows, income and positions be available for time series extracts of BOP and IIP. Those two developments would facilitate FDI trends analysis for the users and the identification of revised BOP FDI income and of IIP FDI data. The derivation of calendar year information for BOP FDI series would also be facilitated if quarterly BOP data were available within a single Excel sheet instead of being in multiple sheets for each fiscal year.
- While the accessibility of inward FDI flows by partner country is well ensured on the CBE website, it would be valuable if the annual information be published for the calendar year on top of fiscal year. It would reduce burdens on users who currently have to derive the calendar year information from the quarterly data. The accessibility of FDI inflows by industry could be improved by making available and downloadable inward FDI flows by industry as is the case for inward FDI flows by partner country. As already mentioned, when the new compilation system is adopted to support BOP, IIP and CDIS statistics published by the Central Bank, it is

important that all the detailed FDI statistics by partner country and industry compiled by Egypt be published together to improve their accessibility. That way, users will not have to visit multiple websites to piece together the data that they need.

- When various sets of detailed FDI statistics by partner country and industry are produced through the new system, accessibility could be further improved if such statistics be clearly identified through a dedicated section separate from the BOP and IIP sections as many OECD countries do. The existence of a specific section is particularly justified when FDI statistics by partner country and by industry are presented on a directional basis, as opposed to the asset/liability basis used for BOP and IIP statistics. Although Egypt currently publishes both sets of statistics on an asset/liability basis, we understand that the publication on directional basis will be feasible from the new compilation system as it captures information on reverse investment and fellow enterprises. The CDIS and BMD4 call for the compilation of FDI statistics by partner country and by industry according to the extended directional principle. The *Statistics* section available in the CBE could be further expanded so it clearly shows the availability of BOP, IIP and FDI by partner country and industry information, for example under an ‘External statistics’ sub-heading. At the moment, the information is somewhat hidden under the general header ‘Time series’ and the availability of information is not obvious.

### **3.6. Interpretability**

Interpretability reflects the ease with which the user may understand and properly use and analyse the data. The adequacy of definitions of concepts, of target populations, of variables and of terminology underlying the data and information describing the limitations of the data, if any, largely determines the degree of interpretability.

#### *3.6.1. Interpretability of standard FDI series*

FDI statistics is one of the more complicated areas of statistics for users to understand and use because the users may not be familiar with the BOP and IIP concepts that underlie the data. As such, providing guidance to help them understand and use the statistics is very important. An important part of this guidance is providing references to the international standards that can help users understand the statistics. In addition, providing metadata and methodologies (as discussed above in the *Credibility* section) can also be very useful.

Particular efforts will have to be dedicated in assisting users in understanding the new FDI series which might be published in the future from GAFI's compilation system. The transition period will be challenging, and the OECD is happy to provide GAFI and the CBE with examples of country's experiences who faced similar transition periods when their sources for compiling FDI changed. This might not be the case for Egypt, but in certain countries the switch from ITRS system to surveys resulted in substantial revisions, which users can have difficulty understanding and which may harm the credibility of the statistics if not explained well

Additionally, providing an analysis with the dissemination of FDI statistics can be very useful by, for example, helping users understand the trends and movements in the statistics. The elements to include in an analysis of FDI statistics are discussed further below in section 4. GAFI intends to publish a bulletin with its release of detailed FDI position statistics by partner country and by industry that will provide users with the main highlights, a description of the methodology used and enterprises covered, the major source countries for inward FDI, and the sectoral distribution of inward FDI. This should be very helpful to users in understanding the latest developments.

#### *3.6.2. Supplemental FDI series to aid the interpretation of the statistics*

FDI statistics are difficult for users to interpret and use in policy analysis. To better enable the use of FDI statistics in policymaking, BMD4 makes recommendations for the compilation of supplemental series. Two of these series have been discussed earlier: the separate reporting of FDI flows and positions to and from resident SPEs and the presentation of inward FDI positions by ultimate investing country (UIC) rather than by immediate investing country. As noted, GAFI is exploring the feasibility of compiling inward FDI positions by UIC and, this report has recommended that they explore the feasibility of separately compiling the data for resident SPEs. However, there are additional

presentations that could be useful for policymakers interested in understanding the impact of FDI on the Egyptian economy.

One distinction that policymakers are often interested in is between greenfield FDI and FDI associated with mergers and acquisitions (M&As). It is generally considered that M&As will not have significant impacts on the economy in terms of additional production, employment, turnover and so on unless the acquired firm is subject to considerable restructuring. On the other hand, new investments--that is greenfield investments--are generally considered to expand capacity and create new jobs. While this may not be true as a company acquired by a foreign MNE can receive considerable benefits in terms of access to knowledge, supplier networks, and distribution channels, it is still of great interest to have a breakdown of FDI by type. BMD4 identified four types of FDI: M&As, greenfield investments, extensions of capital, and financial restructuring. Greenfield investments were defined as the establishment of new enterprises (*ex nihilo* investments), while extensions of capital were additional new investments in existing affiliates. These two types of FDI are likely to have similar impacts on the host economy. For practical reasons, BMD4 only recommended a methodology for identifying M&As in equity capital flows and left the identification of other types of FDI--greenfield, extensions of capital, and financial restructuring--on the research agenda. However, it is acknowledged that measures of greenfield FDI are the most requested by data users.

In GAFI's compilation system, they have the ability to identify the paid-in capital of newly established direct investment enterprises, i.e., greenfield investments, as well as extensions of capital to existing affiliates. These measures would be helpful to data users in understanding the role that FDI is playing in the establishment of new enterprises in Egypt and the expansion of capacity. To better understand the impact of greenfield FDI, it is also helpful to publish additional economic variables, if available, on these new establishments. While not strictly FDI statistics, information on the jobs created or capital expenditures of such investments can be very helpful. Such information is often projections provided by the direct investor; if this is the case, it should be made clear that these are projections rather than actual jobs created or capital expenditures.

Economic variables associated with FDI enterprises in general can be very useful for assessing the impact of FDI on the host economy. While not strictly FDI statistics, information on turnover, employment, employee compensation, and value added can provide very useful information on the role FDI enterprises are playing in the economy. The financial statements used in GAFI's system may not allow for the identification of many economic variables, but GAFI is encouraged to explore what items might be available. It may be possible to identify information on turnover or sales, capital expenditures, and employee compensation. It may also be possible to construct measures to approximate value added from the various cost items reported, including employee compensation, depreciation, and taxes, as well as profits.

### 3.6.3. Recommendations

FDI statistics are very difficult for users to interpret. To aid users, the key recommendations are:

- When the statistics from the new system are released, there could be substantial changes from the statistics currently published by the CBE. Therefore, it will be necessary for the two agencies to work together to explain the sources of revisions to data users and to explain why the revised statistics are an improvement over the previous measures;
- Publish an analysis with the release of FDI statistics to help data users understand the main developments in FDI statistics;
- Publishing additional series, such as on greenfield FDI, can be very useful to data users interested in the different types of FDI. It can be helpful to include some economic variables, such as jobs created or capital expenditures, along with the greenfield FDI statistics if available, but it should be made clear to data users whether these are projections or not; and
- Explore the possibility of identifying some key economic variables, such as turnover, capital expenditures, or employee compensation, in the financial statements used in GAFI's system. The possibility that a measure of value added by the direct investment enterprises based on costs and profits should also be explored.

### 3.7. Coherence

Coherence reflects the degree to which the data are logically connected and mutually consistent. Coherence implies that the same term should not be used without explanation for different concepts or data items; that different terms should not be used without explanation for the same concept or data item; and that variations in methodology that might affect data values should not be made without explanation. If two data series purporting to cover the same phenomena differ, the differences in time of recording, valuation, and coverage should be identified so that the series can be reconciled. Coherence has four important sub dimensions: within a dataset, across datasets, over time, and across countries.

**Coherence across FDI datasets published by Egypt** can be assessed by comparing total inflows published as part of FDI statistics by partner country and total inflows published as part of balance of payments statistics by the CBE (Table 11). There are differences between the two sets of statistics, due to the fact that only increases in FDI liabilities are broken down by partner country, while decreases in liabilities are only available at the aggregate basis. Therefore, net incurrence of liabilities that is published as part of BOP series differs from total inflows available by partner country. However, the existence of an explanatory footnote as well as the provision of total net incurrence of liabilities and total decreases of liabilities aggregates (without further breakdowns by partner country) within the table help the user understand the difference between the two sets of statistics published and to reconcile both sets of statistics (see Annex Table A5).

**Table 11. Coherence of total FDI inflows from FDI statistics by partner country/industry and from Balance of Payments statistics**

<i>USD millions – Fiscal year</i>		2007/2008	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17
<b>FDI flows by partner country</b>	<b>Total Net FDI inflows</b>	13236.5	8113.4	6758.2	2188.6	3982.2	3753.3	4178.2	6379.8	6932.6	7915.8
	<b>FDI inflows (increases in liabilities)</b> By partner country detail...	13084.3	17802.2	12836.1	11008.1	9574.4	10273.6	10855.8	12546.2	12528.7	13349.1
	<b>FDI outflows (decreases in liabilities)</b>	-2031.1	-4565.7	-4722.7	-4249.9	-7385.8	-6520.6	-6677.6	-6166.4	-5596.1	-5433.3
<b>FDI flows as part of BOP</b>	<b>Total net FDI inflows from BOP</b>	13236.5	8113.4	6758.2	2188.6	3982.2	3753.3	4178.2	6379.8	6932.6	7915.8

Source: Central Bank of Egypt

**Coherence across FDI datasets published by Egypt and other international organisations** can be assessed by comparing FDI statistics published as part of BOP and IIP by the CBE and by the IMF (Table 12). BOP annual series published by both institutions differ given that the CBE publishes annual series of BOP on a fiscal year basis and the IMF publishes those series on a calendar year basis. However, calendar year data can be retrieved from the CBE website by summing up quarterly information. The coherence between both series on a calendar year basis is then well ensured except for 2012. There are also small differences for 2013 that might be due to different data vintages. As regards FDI positions, FDI series as part of IIP are consistent between the CBE website and the IMF BOP and IIP database-except for the most recent available year, likely due to data vintage differences. As regards FDI income aggregates, only information for Q4 2017 was available on the CBE website, while the IMF contains series up to Q3 2016 only. Therefore, comparisons could not be made.

**Table 12. Coherence of BOP and IIP FDI series published by the Central Bank of Egypt and IMF**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>FDI flows</b> <i>USD million</i>													
<b>Assets</b>													
CBE (fiscal)	39	145	536	1113	1341	977	958	249	184	327	223	164	175
CBE (calendar derived from quarterly fiscal by OECD)	92	148	665	1920	571	1176	626	211	301	253	182	207	199
IMF	92	148	665	1920	571	1176	626	211	301	253	182	207	
<b>Liabilities</b>													
CBE (fiscal)	3902	6111	11053	13237	8113	6758	2189	3982	3753	4178	6380	6933	7916
CBE (calendar derived from quarterly fiscal by OECD)	5376	10043	11578	9495	6712	6386	-483	<b>6031</b>	4256	4612	6925	8107	7392
IMF	5376	10043	11578	9495	6712	6386	-483	<b>2798</b>	4192	4612	6925	8107	
<b>FDI positions</b> <i>USD million</i>													
<b>Assets</b>													
CBE	967	1116	1781	3701	4273	5448	6074	6285	6586	6839	7020	7227	
IMF	967	1116	1781	3701	4273	5448	6074	6285	6586	6839	7020	7227	7428
<b>Liabilities</b>													
CBE	28882	38925	50503	59997	66709	73095	72612	79493	85045	87882	94266	102324	
IMF	28882	38925	50503	59997	66709	73095	72612	79493	85045	87882	94266	172670	109660
<b>FDI income - USD million</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Q4 2017</b>
<b>Credits</b>													
CBE													19
IMF	92	110	46	61	79	169	97	58	63	67	153	97	
<b>Debits</b>													
CBE													1162
IMF	647	915	1015	680	2101	5268	5079	5704	6376	6089	4375	3485	

Note: calendar year data for 2017 was derived by OECD from SDDS data available from the CBE website.

Source: Central Bank of Egypt and IMF

**Coherence within the statistics published by CBE and GAFI** could be an issue under the compilation and dissemination system in Egypt, which will rely on cooperation between GAFI and CBE. Under the system, the CBE will compile FDI flows while GAFI will compile FDI positions, yet there is a relationship between flows and positions. Specifically, the position at the end of the period is equal to the beginning of period position plus any transactions in that period plus any changes in value. Changes in value are due to changes in prices (for example, for listed equity), changes in exchange rates, and other changes, such as capital gains and losses of affiliates, the write down of assets, differences between purchase or sales prices of affiliates and their valuation according to the Own Funds at Book Values, and the reclassification of investments between direct investment and the other functional categories of investment. Conducting a full reconciliation of the changes in positions, the flows, and the valuation adjustments can greatly improve the quality of both sets of statistics by identifying missing information or misreported data. It will also be a way to check that the coverage of the statistics compiled by the two agencies is consistent. The CBE with its broader understanding of the entire BOP and IIP accounts should help GAFI ensure that the positions it is recording are consistent with the international guidelines and do not include elements that should be recorded in other functional categories. As such, the two agencies will have to work closely together to ensure that the financial transaction and positions statistics are coherent.

Lack of coherence across statistics presented in different locations and in different contexts is very problematic for users and erodes their confidence in the statistics. While it can be difficult, there are steps that can be taken to enhance coherence and explain why differences exist when they are inevitable. Recommendations to enhance coherence include:

- Differences that currently exist between FDI flows by partner country and industry and FDI flows published as part of BOP statistics by the CBE are well explained in the table of FDI flows by partner country. It could be further clarified by adding a specific reference to the BOP dataset within the existing footnote to the table. In most OECD countries, differences between FDI statistics published as part of BOP/IIP and FDI statistics by partner country and by industry are due to the asset/liability presentation versus directional presentations, differences in the timing of revisions, and, for selected countries, to valuation methods or the use of different data sources. In the case of Egypt, the reason for the difference relate to the fact that detail by partner country are only available for increases in liabilities, while decreases in liabilities are only available at the aggregate level. Of course, this would not be an issue if GAFI's compilation system is used to compile FDI statistics by partner country according to the extended directional principle.
- In the future, if Egypt has plans to implement and publish the directional principle for its FDI statistics by partner country and by industry, we suggest that a reconciliation table between the two presentations be available on the CBE website. The WGIIS has developed a standard table that countries can use as part of their dissemination of FDI statistics to explain the relationship between the asset/liability and directional presentations. The table is based on a reconciliation table used by the Swiss Central Bank and is available in Annex 2 of the present document.
- The CBE and GAFI will need to work together to reconcile the changes in FDI positions from one period to the next with the recorded flows and valuation adjustments. Not only will such reconciliation exercises ensure the coherence of the statistics compiled by each agency, but it will enhance the quality of both sets of statistics.
- Finally, as many other countries, FDI statistic compiled by Egypt are subject to bilateral asymmetries with the mirror statistics produced by the counterparts countries (Table 13 and Table 14). Bilateral differences in FDI statistics are probably much greater than for most other statistics due to the general difficulty in capturing data from very large and complicated multinational enterprises (MNEs). Other issues, such as differences in valuation, definitions, and methods also contribute. For this reason, international organisations involved in the collection of FDI statistics have set up various fora to enable national compilers of FDI statistics to discuss and reduce those bilateral asymmetries: Eurostat created the FDI Network; IMF has conducted exercises for bilateral comparisons of CDIS data; and the OECD organises bilateral meetings between WGIIS delegates who are willing to meet and discuss specific bilateral asymmetries. Egypt is encouraged to pursue bilateral comparisons of its FDI statistics with its major FDI partners and to participate, if possible, in the bilateral comparison exercises launched by International Organisations.

**Table 13. Bilateral comparison of inward FDI positions compiled by Egypt and outward FDI positions compiled by major OECD investors in Egypt**

<b>Inward FDI of Egypt from:</b>	<b>At-end 2012</b>	<b>At-end 2013</b>	<b>Mirror outward FDI in Egypt from:</b>	<b>At-end 2012</b>	<b>At-end 2013</b>
United Kingdom	12792	12118	United Kingdom	7461	9381 (B)
United States	9036	11389	United States	17 341	18 796
Italy	5689	5897	Italy	5723	6720 (B)
The Netherlands	2996	5283	The Netherlands	na	34506
Germany	2083	2158	Germany	1358	1603 (B)
France	na	na	France	6191	3677
Belgium	2233	2022	Belgium	373	205 (B)

*Note:* (B): breaks in series.

*Source:* Data extracted from a presentation given by GAFI to the OECD WGIIS in October 2016 for inward FDI based on the new data compilation system, and OECD for mirror outward FDI.

**Table 14. Bilateral comparison of inward FDI flows published by Egypt and outward FDI flows published by selected OECD investors in Egypt**

	2014	2015	2016			2014	2015	2016
<b>Inward FDI flows in Egypt from:</b>				<b>Mirror outward FDI in Egypt from:</b>				
United Kingdom	4919	4763	6558		United Kingdom	942	868	-486
United States	2319	1381	1385		United States	2 128	327	-147
Belgium	691	576	1341		Belgium	-503	-266	523
France	341	281	580		France	511	-260	-105
The Netherlands	145	358	204		The Netherlands	-199	-4 009	808
Italy	34	37	63		Italy	1 298	1 654	242

*Source:* Central Bank of Egypt for inward FDI, converted into calendar year by the OECD (from fiscal quarters) and OECD for mirror outward FDI.

#### 4. Analysis of FDI statistics

As discussed above in the section on interpretability of the statistics, providing an analysis with the publication of FDI statistics can be very useful to users of the statistics. FDI statistics can be particularly difficult for users to understand and interpret as not all of the concepts are familiar. In addition, when there is a requirement to protect the confidentiality of company-sensitive information, it can be difficult for users to understand what is underlying the movements from one period to the next. It is possible to convey this information to data users in an analysis accompanying the release of the statistics. In the first section below, some information that can be included in an analysis of FDI statistics is presented. This is followed by a description of some useful indicators that can be constructed using FDI statistics. In both cases, the focus is more on analysing the impact of FDI on the reporting economy and less on BOP or IIP analysis because the former is more the focus of BMD4; BPM6 provides information on BOP and IIP analysis. Finally, the last section discussed two horizontal projects at the OECD that use FDI statistics.

##### *4.1. Information to include in an analysis of your FDI statistics*

When releasing FDI statistics, it is important to include an analysis explaining the major changes in the series. For financial flows, it can be useful to examine the detail by the components of FDI financial transactions even if that detail is not published. Financial flows consist of three components: equity capital, reinvestment of earnings, and intercompany debt. Equity capital is often associated with new investments, such as greenfield or M&As, even though it can also reflect capital contributions or other restructuring. Nevertheless, equity capital flows are often taken as a sign of the amount of new investments a country is attracting or making. Reinvestment of earnings is the portion of earnings that the parent decides to reinvest in the affiliate rather than receive as a dividend. This component of financial flows tends to be the least volatile. Changes in the reinvestment of earnings can reflect both changes in the earnings of affiliates and in the share of earnings that parents choose to distribute. The reinvestment ratio is the share of earnings that the parent reinvests; it can be an indication of the parent's perception of investment opportunities available through the affiliate: if the parent sees the opportunity to make profitable investments in its affiliates, the parent might choose to reinvest more money in them. However, many other factors can influence the share of earnings reinvested. For example, if the parent is in need of cash, they might pay higher dividends. Intercompany debt is usually the most volatile component of total financial flows and is often driven by the short term financing needs within a company rather than larger overall macroeconomic phenomena. As such, intercompany debt is often the most difficult aspect of financial flows to explain. Intercompany debt flows can often switch direction as large loans are received and then paid off.



By explaining the movements in the components of financial flows is important because it can provide insights into the nature of FDI and whether the investment climate in a country is improving or not. For example, identifying whether a large increase in inflows is due to an increase in equity capital, reinvested earnings, or intercompany debt can be useful. For each of these it can help to provide more information. For example, it can be helpful to specify whether an increase in equity capital flows was due to investments in existing affiliates or due to new investments in the country. For reinvested earnings, it can be useful to identify if a decrease is due to a drop in earnings overall for affiliates or a drop in the share that direct investors were choosing to reinvest. Each of these reasons has different implications for the overall understanding of what is behind the movements. For example, a drop in inward investment due to repaying an intercompany loan would be interpreted differently from a drop in inward investment due to a drop in equity capital flows.

This type of information can be conveyed in such a way as to protect confidentiality by the use of words to describe the importance of different factors. For example, saying that the increase in equity capital flows was largely or mostly driven by new investments conveys to the user that this was an important factor without having to divulge a specific number or share that could be considered sensitive. Saying that the drop in inflows was largely due to repayment of intercompany debt but sell-offs also contributed conveys the relative importance of these factors without, again, providing specific figures that could be sensitive.

Positions are the accumulated value of direct investments measured at a specific point in time, such as the end of a quarter or of a year. The inward position indicates the overall value of foreign direct investors' investment in the reporting economy, and the outward position indicates the degree of penetration of resident direct investors in foreign countries. The change in the position from one point in time to the next is due not only to the financial flows during the period but also to changes in prices, exchange rates, and other changes in value, such as the write-down of assets. It is important to provide this information to users to help them understand what is driving the change in position. Looking at how the position has changed over time, can give an indication of structural changes in the economy, such as opening up to foreign investment.

## **4.2. Indicators**

This section gives some examples of indicators that can be constructed using FDI statistics. These indicators can provide information to answer common questions about FDI.

### *4.2.1. Ratio of FDI to GDP*

Users are often interested in understanding the role that FDI plays in both home and host countries. A common way to judge the importance of FDI to an economy is to compare the size of the outward and inward financial and income flows and positions to GDP. By normalising these measures by GDP, it allows for comparisons across countries. For these indicators, the statistics on a directional basis excluding resident SPEs are best to use in answering these questions because they distinguish between inward and outward investment and because they exclude funds that are simply passing through the economy on their way to another destination via SPEs.

Such measures show the extent of globalization through FDI at a given point in time. For example, the ratio of inward direct investment financial flows to GDP shows the relative attractiveness of the economy to FDI for that time period, and the ratio of inward and outward stocks to GDP shows the extent of globalisation of the economy at a point in time. Looking at how these indicators change over time can shed light on the role of FDI in globalizing the economy over time and can provide information on structural changes in direct investment, such as greater openness to foreign investment. Looking at stocks can give a clearer picture as flows can be significantly affected by one-time events.

GDP is often used to normalize FDI flows and stocks because it is widely available on a timely basis. However, there are other statistics that can provide meaningful measures of the importance of FDI to an economy, including inward investment as a share of gross fixed capital formation. However, care should be taken in interpreting this ratio

as FDI flows may be related to changes in ownership of existing capital rather than the formation of new capital, such as with mergers and acquisitions.

#### *4.2.3. Top investing partners*

Users are often interested in identifying the most important investing partners. It is possible to construct an indicator showing inward investment for a particular country over total inward investment. These can be constructed with either financial flows or positions, depending on the question; if the question is which country is the most important source of FDI in a particular period, say the most recent quarter, then flows can be used. If instead the question is asking for the most important investing countries on a long term basis, then positions should be used. For inward investment, there are two possible series that can be used to answer this question. The first is the standard series by immediate partner country; it is the most widely available. The second is the supplemental series by ultimate investing country. While this is preferable because this series identifies the country of the investor who ultimately controls the investment, it is not as widely available and is available for positions only.

For outward investment, again it is best to use directional statistics excluding resident SPEs. However, these statistics will not give a very precise picture when parents in a country channel FDI through SPEs in other countries. For that, it would be necessary to have statistics that look through non-resident SPEs, or, even better, statistics by the ultimate host country. The development of such statistics is being discussed in the WGIIS, but they are not yet available.

#### *4.2.4. Top industries for FDI*

This can be answered using the standard series by industry of the affiliate and constructing indicators as discussed above for identifying the most important industries for FDI. However, the outward investment statistics may again give a distorted picture of the most important industries if parents are channelling their FDI through non-resident SPEs.

#### *4.2.5. Rates of return on FDI*

The rate of return is an indication of the profitability of an investment. The simplest way to calculate the rate of return is as earnings compared to the stock of investment. It is possible to compare the rates of return on both outward and inward investment to rates of return in the domestic economy as a whole to see how they compare to all businesses for a country. Looking at rates of return over time can indicate whether investments in resident enterprises are becoming more profitable and whether those enterprises are becoming more competitive, but it is important to note that cyclical or structural factors can affect rates of return. It is also possible to compare rates of return on FDI to other types of investment, such as portfolio investment.

#### *4.2.6. BOP or IIP analysis*

BPM6 provides more examples of BOP and IIP analysis, but it may be useful to have one example. Examining the composition and size of a country's liabilities and assets can shed light on its vulnerability to crises. By providing consistent information on the composition and size of assets and liabilities by functional category of investment (for example, direct investment or portfolio investment) and by instrument (for example, equity or debt), a country's IIP provides important insights into how vulnerable its economy is to external market conditions. For example, assessing the share of total debt liabilities in direct investment is important because the returns to creditors of debt liabilities in direct investment depend on the performance of the debtor. In contrast, the returns to creditors on debt liabilities in portfolio investment do not depend on the performance of the debtor but are required even if the debtor is in difficulty, and, hence, pose a greater risk to the economy. For these types of analyses, the aggregate statistics presented according to the asset/liability principle are the most appropriate to use.

### 4.3. OECD horizontal projects using FDI statistics

At the OECD, FDI statistics are being used to inform policy making. For example, the OECD is carrying out a large project on Base Erosion Base erosion and profit shifting (BEPS), which refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. Over 100 countries and jurisdictions are collaborating to implement measures to tackle BEPS. Many indicators are required to measure a phenomenon as complicated as BEPS, and FDI statistics are used in some of these indicators. For example, high levels of FDI relative to GDP could be due to tax avoidance. However, it could also be due to a positive investment climate, so care must be taken in interpreting these indicators. Another example is comparing rates of return on FDI investment in SPEs and non-SPEs in an economy, which could indicate use of SPEs to avoid taxes. Complete description of indicators can be found here: <http://www.oecd.org/ctp/measuring-and-monitoring-beps-action-11-2015-final-report-9789264241343-en.htm>

Another project that the OECD is pursuing is the integration of FDI income statistics into the Trade in Value Added (TiVA) Framework. The core TiVA indicators identify the value added in each country in the production of goods and services that are consumed worldwide. However, TiVA indicators do not currently consider the role of investment in these global value chains. The OECD is working to address this gap in a number of ways, one of which is integrating FDI income into the TiVA framework. This will shed light on an important discussion on how the income that is generated from FDI is distributed and how much of that income 'sticks' within the host economy. While one of the main contributions of TiVA is the splitting of exports into domestic and foreign (i.e., imported) value added parts, only some parts of the value added of foreign-owned firms are expected to remain in the economy; these 'sticky' parts include wages and taxes. However, the other part – the operating surplus or profits – is typically less 'sticky' because it accrues to the foreign parent. It is the foreign parent that decides whether these profits are reinvested in the affiliate or are repatriated to the home country. This is not a negligible part: OECD AMNE data indicate that around 45% of value added produced by foreign owned firms consists of operating surplus and hence can (potentially) be repatriated. Integrating FDI income into the TiVA framework is an important first step to develop statistics on the role of foreign investment in GVCs and the income it generates, as well as in the broader effort to better capture ownership information in economic statistics.

## 5. Summary of recommendations

The goal of this project was to review the FDI statistics compiled by Egypt to assess their compatibility with the international guidelines for compiling FDI statistics (BPM6 and BMD4); to assess the data sources and estimation methods used; and to examine the feasibility and the usefulness of compiling additional series, such as inward FDI positions by ultimate investing country. The OECD used its framework for reviewing the quality of macroeconomic statistics in the review. This framework examines seven dimensions of quality: relevance, accuracy, credibility, timeliness, accessibility, interpretability, and coherence. The work was carried out largely through a questionnaire and through presentations that GAFI made to the WGIIS in October 2016 and 2017 on their new compilation system for FDI.

Currently, Egypt is disseminating FDI statistics under BPM5, and disseminates those statistics in line with timeliness recommendations of the IMF. GAFI's system is an ingenious alternative to surveys, which were not successful due to very low response rates. The use of the new system in the compilation of FDI statistics by the CBE for producing FDI aggregates as part of BOP and IIP as well as FDI positions for the CDIS would increase the quality of the statistics by closing gaps and following the latest international standards. As such, the dissemination of the FDI position statistics produced by GAFI should begin as soon as possible. Timeliness is another important aspect that should be taken into account when considering the use of the new system for compiling FDI statistics. The current timeliness of the FDI aggregates as part of BOP and IIP is in line with SDDS standards and should be maintained, while FDI statistics by partner country and industry should not be published with more than two year time lag. The use of the new system will also imply that significant efforts be dedicated to assist users understanding the possible significant revisions to the FDI series compared to what is currently published by the CBE. While the use of the new system

developed by GAFI offers significant benefits in terms of higher quality FDI statistics, the need for cooperation between the different agencies, and particularly the FDIU and CBE, in compiling and disseminating FDI statistics poses threats to several dimensions of quality, including relevance, accessibility, credibility, interpretability and coherence. This leads to the first, overarching, recommendation: it is important that the agencies work together to ensure that the statistics compiled and disseminated by each agency are consistent with each other; this could mean, for example, producing a joint release and analysis of the FDI statistics. In addition, it is important that the statistics are perceived as objective by users.

The second key recommendation relates to improving alignment with the international standards. Items under this recommendation include: clarifying the treatment of SPEs within FDI statistics and exploring the feasibility of separately identifying FDI associated with FDI in the statistics disseminated; working to populate the information on residency so that the statistics can be compiled based on residency rather than citizenship; using the directional principle (or extended directional principle once information on the UCP is available) and the debtor/creditor principle for presenting the detailed statistics by immediate partner country and industry; compiling Own Funds at Book Value estimates of FDI positions for unlisted equity; and continuing to provide training in FDI concepts to staff as well as in related topics such as statistics, modelling, and the financial analysis of companies, to provide adequate IT resources, and to cooperate with the IMF's METAC if possible.

The third recommendation is to improve the accessibility and usefulness of the FDI statistics to data users. Items under this recommendation include: providing more information on the overall response rate obtained from financial statements and on the comprehensiveness of the information collected to users so that they can evaluate the overall quality of the system; posting a methodology explaining the data sources, estimation methods, and any deviations from the international guidelines on the website; releasing an analysis with the release of the FDI statistics to help users better understand and interpret the statistics (the last section of the report included some elements that could be included in such an analysis); ensure the accessibility of longer time series as well as details by instruments for all series on the website; and consider creating a section on the website dedicated to the detailed annual FDI statistics by partner country and by industry.

The final recommendation is to explore further enhancements to the statistics. One of the most useful enhancements is the presentation of inward FDI position statistics by ultimate investing country, which should be feasible using the information from the new system, complemented by additional information for cases which may be more challenging than others. GAFI should also explore the possibility of publishing supplemental FDI series, such as on greenfield investment, as well as the possibility of publishing some economic variables, such as the turnover or capital expenditures, of FDI enterprises. However, we would recommend that Egypt disseminates as a first step timely FDI positions and flows by immediate counterpart partner country which would be in line with the international standards. Currently, only increases in liabilities are available by partner country while FDI positions are currently not disseminated by partner country.

## ANNEX 1. FDI statistics of Egypt

Table A.1. FDI flows in Egypt and MENA countries, in USD millions

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 <sup>P</sup>
Algeria	1156	1841	1687	2639	2747	2300	2571	1500	1692	1503	-403	1637	
Bahrain	1049	2915	1756	1794	257	156	781	1545	3728	1519	65	243	
Djibouti	22	108	195	228	97	37	79	110	286	153	124	160	
<b>Egypt</b>	5376	10043	11578	9495	6712	6386	-483	2798	4192	4612	6925	8107	7392
Iraq	515	383	972	1856	1598	1396	2082	3400	5131	4782	3316	146	
Jordan	1984	3544	2622	2827	2413	1688	1486	1548	1947	2178	1600	1539	
Kuwait	234	121	112	-6	1114	1305	3259	2873	1434	486	285	292	
Lebanon	2624	2675	3376	4333	4804	4280	3137	3111	2661	2907	2353	2610	
Libya	1038	2064	4689	4111	1371	1784							
Morocco	1671	2461	2826	2466	1970	1241	2521	2842	3361	3525	3253	2318	
Oman	1538	1596	3332	2952	1486	1243	1629	1365	1612	1286	-2172	1681	
Palestine, State of	36	19	20	52	300	180	239	63	190	160	105	269	
Qatar							939	396	-840	1040	1071	774	986
Saudi Arabia	12107	18318	24334	39456	36458	29233	16308	12182	8865	8012	8141	7453	
Syrian Arab Republic	500	659	1242	1466	2570	1469							
Tunisia	713	3240	1515	2601	1525	1334	433	1554	1059	1025	971	695	
United Arab Emirates													
Yemen	-302	1121	917	1555	129	189	-518	-14	-134	-233	-15		
<b>MENA total</b>	<b>30260</b>	<b>51107</b>	<b>61173</b>	<b>77822</b>	<b>65550</b>	<b>54220</b>	<b>34464</b>	<b>35273</b>	<b>35183</b>	<b>32956</b>	<b>25618</b>	<b>27925</b>	
<i>Memo items:</i>													
<b>World</b>	<b>980258</b>	<b>1449006</b>	<b>1979553</b>	<b>1568732</b>	<b>1196915</b>	<b>1483634</b>	<b>1728106</b>	<b>1535270</b>	<b>1588928</b>	<b>1501920</b>	<b>2057817</b>	<b>1909828</b>	<b>1419482</b>
<b>OECD</b>	<b>617818</b>	<b>959024</b>	<b>1309057</b>	<b>841295</b>	<b>690683</b>	<b>716329</b>	<b>895354</b>	<b>728352</b>	<b>788863</b>	<b>669070</b>	<b>1206968</b>	<b>1200472</b>	<b>759827</b>
<b>EU</b>	<b>457701</b>	<b>526498</b>	<b>827616</b>	<b>317123</b>	<b>378807</b>	<b>358376</b>	<b>424946</b>	<b>336348</b>	<b>347418</b>	<b>253451</b>	<b>519177</b>	<b>531044</b>	<b>290202</b>

Note: MENA total aggregate exclude FDI flows (not available) in Lybia (2011-2016), the Syrian Arab Republic (2011 -2016), the United Arab Emirates (2005-2016) and Yemen (2016).

Source: IMF Balance of Payment database, Central Bank of Egypt and OECD, Foreign Direct Investment statistics database

Table A.2. FDI flows in Egypt and selected MENA countries, as a share of GDP

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Algeria	1.1%	1.6%	1.2%	1.5%	2.0%	1.4%	1.3%	0.7%	0.8%	0.7%	-0.2%	1.0%
Bahrain	6.6%	15.8%	8.1%	7.0%	1.1%	0.6%	2.7%	5.0%	11.5%	4.5%	0.2%	0.8%
Djibouti	3.1%	14.1%	23.0%	23.1%	9.5%	3.3%	6.4%	8.1%	19.7%	9.6%	7.2%	8.5%
<b>Egypt</b>	5.7%	8.9%	8.4%	5.6%	3.4%	2.8%	-0.2%	1.0%	1.5%	1.5%	2.1%	2.4%
Iraq												
Jordan	15.8%	23.5%	15.3%	12.9%	10.1%	6.4%	5.2%	5.0%	5.8%	6.1%	4.3%	4.0%
Kuwait	0.3%	0.1%	0.1%	0.0%	1.1%	1.1%	2.1%	1.7%	0.8%	0.3%	0.2%	0.3%
Lebanon	12.2%	12.1%	13.6%	14.8%	13.5%	11.1%	7.8%	7.1%	5.8%	6.1%	4.8%	5.2%
Libya	2.2%	3.8%	6.9%	5.6%	2.7%	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Morocco	2.7%	3.6%	3.6%	2.7%	2.1%	1.3%	2.5%	2.9%	3.1%	3.2%	3.2%	2.2%
Oman	4.9%	4.3%	7.9%	4.8%	3.1%	2.1%	2.4%	1.8%	2.0%	1.6%	-3.1%	2.5%

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Palestine, State of												
Qatar	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.2%	-0.4%	0.5%	0.7%	0.5%
Saudi Arabia	3.7%	4.9%	5.9%	7.6%	8.5%	5.5%	2.4%	1.7%	1.2%	1.1%	1.2%	1.2%
Syrian Arab Republic	1.7%	1.9%	3.1%	2.8%	4.8%	2.4%						
Tunisia	2.2%	9.4%	3.9%	5.8%	3.5%	3.0%	0.9%	3.5%	2.3%	2.2%	2.2%	1.7%
United Arab Emirates												
Yemen	-1.8%	5.9%	4.2%	5.8%	0.5%	0.6%	-1.6%	0.0%	-0.3%	-0.5%	-0.04%	
<b>Total MENA</b>	<b>3.5%</b>	<b>5.0%</b>	<b>5.3%</b>	<b>5.4%</b>	<b>5.2%</b>	<b>3.7%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.6%</b>

Note: Data for 2016 is not included in the table due to the lack of availability of FDI inflows for 2017 at the time of writing among MENA countries. FDI inflows are not available for Libya (2011-2016), the Syrian Arab Republic (2011-2016), the United Arab Emirates (2005-2015) and Yemen (2016). GDP is not available for Palestine, State of and Iraq.

Source: IMF Balance of Payment database (FDI) and IMF World Economic Outlook database (GDP)

**Table A.3. FDI outflows from Egypt and MENA countries, in USD millions**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 <sup>P</sup>
Algeria	55	79	147	318	214	219	534	-41	-272	-18	96	47	
Bahrain	1135	980	1669	1620	-1791	334	894	-516	-532	394	-3191	880	
<b>Egypt</b>	92	148	665	1920	571	1176	626	211	301	253	182	207	199
Iraq	89	305	8	34	72	125	366	490	227	242	148	304	
Jordan	163	-138	48	13	72	28	31	5	16	83	1	3	
Kuwait	5142	8211	9784	9091	8582	5890	10773	6741	16648	13108	5440	6403	
Lebanon	715	875	848	987	1126	487	937	1026	1981	1255	662	642	
Libya	128	474	3933	5888	1165	2722	131	2509	708	-78	395	440	
Morocco	74	451	632	316	479	580	248	360	445	431	657	636	
Oman	234	275	-37	584	109	1498	1223	885	934	1356	335	357	
Palestine, State of	32	129	35	-4	69	58	-239	34	-34	187	75	114	
Qatar							10109	1840	8021	6748	4023	7902	1695
Saudi Arabia	-350	-39	-135	3498	2177	3907	3430	4402	4943	5396	5390	8936	
<b>MENA Total</b>	<b>7509</b>	<b>11750</b>	<b>17597</b>	<b>24264</b>	<b>12846</b>	<b>17024</b>	<b>29061</b>	<b>17945</b>	<b>33386</b>	<b>29358</b>	<b>14211</b>	<b>26869</b>	

Note: MENA total aggregate exclude FDI flows from Djibouti (2005-2016), Qatar (2005-2010), Syrian Arab Republic (2005-2016), Tunisia (2005-2016), the United Arab Emirates (2005-2016) and Yemen (2005-2016) which were not available.

Source: IMF Balance of Payment database and Central Bank of Egypt.

**Table A.4. FDI aggregates from Balance of Payment of Egypt, in USD millions**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Total inward positions</b>	28882	38925	50503	59997	66709	73095	72612	79493	85045	87882	94266	102324	109660
<b>Equity</b>													
<b>Debt</b>													
<b>Total income debit</b>	647	915	1015	680	2101	5268	5079	5704	6376	6089	4375	3485	
<b>Income on equity debits</b>	647	915	1015	680	2101	5268	5079	5704	6376	6089	4375	3485	
<b>Dividends Debits</b>	647	843	914	290	1093	3909	4540	5495	6037	5887	3458	3165	
<b>RE debits</b>		72	101	390	1008	1360	540	209	339	202	916	320	
<b>Interests debits</b>													
<b>Total liability flows</b>	5376	10043	11578	9495	6712	6386	-483	2798	4192	4783	6885	8107	7392
<b>Equity</b>													
<b>RE</b>		72	101	390	1008	1360	540	209	339	202	916	320	

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Debt</b>	5376	9971	11478	9105	5704	5026	-1022	2589	3853	4581	5968	7787	
<b>Total outward positions</b>	967	1116	1781	3701	4273	5448	6074	6285	6586	6839	7020	7227	7426
<b>Equity</b>													
<b>Debt</b>													
<b>Total income credit</b>	92	110	46	61	79	169	97	58	63	67	153	97	
<b>Income on equity credits</b>	92	110	46	61	79	169	97	58	63	67	153	97	
<b>Dividends credits</b>													
<b>RE credits</b>													
<b>Interests credits</b>													
<b>Total asset flows</b>	92	148	665	1920	571	1176	626	211	301	253	182	207	199
<b>Equity</b>													
<b>RE</b>													
<b>Debt</b>	92	148	665	1920	571	1176	626	211	301	253	182	207	

Source: IMF Balance of Payment database (for 2005-2016 FDI flows and 2005-2017 FDI positions) and Central Bank of Egypt (for 2017 FDI flows).

**Table A.5. FDI flows in Egypt by partner country, in USD millions**

<i>Calendar year basis</i>	2011	2012	2013	2014	2015	2016**
<u>Net Foreign Direct Investment*</u>	-482.7	6030.8	4256.2	4612.2	6925.2	8106.8
<u>Inflows*</u>	8102.7	12731.4	10801.0	11221.5	12796.6	13842.6
USA	761.5	1566.6	2114.7	2319.0	1381.4	1385.2
EU	5957.7	9398.9	6315.1	6583.3	6723.6	9143.0
Germany	246.4	207.5	154.9	202.8	211.6	189.6
France	274.6	305.2	232.9	340.5	280.7	580.0
UK	3607.7	6002.1	4927.6	4919.4	4763.2	6555.7
Italy	215.4	152.1	30.1	34.3	36.9	63.2
Greece	70.2	9.6	51.3	7.7	2.0	1.5
Spain	52.5	54.3	4.0	14.8	163.6	36.6
The Netherlands	100.0	467.9	139.0	144.9	358.4	203.5
Portugal	0.0	0.0	0.0	0.0	0.0	0.0
Bulgaria	0.0	29.9	0.1	0.7	0.1	0.0
Belgium	712.9	2074.5	649.5	690.9	576.0	1341.0
Luxembourg	1.6	7.1	1.9	171.0	173.8	37.0
Denmark	2.8	4.7	21.9	12.2	10.3	5.6
Sweden	295.2	24.9	31.6	16.7	70.2	31.6
Austria	3.3	5.3	8.7	2.2	5.3	17.1
Cyprus	2.4	12.8	6.9	8.1	12.7	12.1
Romania	0.3	1.0	0.9	3.1	6.3	1.0
Latvia	0.0	0.2	0.7	0.3	0.7	0.2
Ireland	2.2	8.8	2.2	0.8	40.9	15.4
Poland	2.7	15.0	11.7	1.3	0.4	6.1

<i>Calendar year basis</i>	2011	2012	2013	2014	2015	2016**
Czech Republic	5.1	6.0	17.4	1.9	6.0	1.1
Malta	0.3	6.9	1.7	3.1	0.5	43.0
Estonia	0.0	0.0	0.2	0.0	0.0	0.0
Hungary	0.0	0.2	4.0	3.1	2.8	1.2
Croatia	0.0	6.6	15.9	3.5	1.2	0.5
Arab Countries	1217.0	983.6	1605.1	1516.7	2900.5	2277.6
Saudi Arabia	204.2	201.5	209.5	373.6	606.9	296.2
United Arab Emirates	508.4	418.3	460.4	622.3	1543.8	1310.5
Tunisia	7.1	3.3	3.4	4.4	4.6	2.5
Kuwait	64.0	58.5	119.5	75.0	285.2	140.6
Qatar	171.9	85.5	370.7	92.4	182.8	191.1
Libya	6.5	6.7	4.7	15.9	6.3	1.8
Jordan	5.1	12.3	23.0	17.1	15.7	24.6
Bahrain	145.0	98.8	290.4	179.6	139.9	157.6
Lebanon	42.4	31.2	78.8	96.6	64.1	109.0
Oman	9.4	12.1	12.2	11.5	19.6	4.0
Yemen	1.9	3.4	2.3	3.6	1.7	0.7
Sudan	0.3	1.1	0.8	1.9	2.4	0.4
Others	50.8	50.9	29.4	22.8	27.5	38.6
Other Countries	528.6	782.3	766.1	802.5	1791.1	1036.8
Singapore	4.5	44.4	8.8	6.1	10.8	15.6
Switzerland	136.1	126.9	77.5	107.1	200.7	126.7
Japan	34.5	50.7	96.0	58.9	75.7	85.1
Canada	24.9	30.7	6.8	6.7	16.0	22.7
China	47.8	71.7	20.8	9.5	116.4	101.7
Taiwan	2.2	0.3	2.2	1.5	1.3	0.5
Turkey	21.5	27.3	161.0	36.4	55.3	58.5
Bermuda	2.4	18.2	0.9	20.5	1.0	26.3
India	28.1	84.3	33.1	6.4	11.6	12.8
Korea	3.3	4.8	31.8	102.2	204.3	210.9
Australia	2.8	3.2	13.5	8.7	15.9	5.2
Norway	3.8	2.5	11.3	3.7	12.2	5.9
Others	216.7	313.6	302.4	434.8	1069.9	364.9
<u>Outflows*</u>	-8585.4	-6700.6	-6544.8	-6609.3	-5871.4	-5735.8

\*: 'Inflows' correspond to increase in liabilities while 'Outflows' correspond to decreases in liabilities. 'Net Foreign Direct Investment' correspond to total net incurrence of liabilities as published in Balance of Payment, defined as increases minus decreases in liabilities (inflows minus Outflows in the table).

\*\*Provisional



Source: Central Bank of Egypt and OECD calculations (fiscal year data was converted into calendar year data by the OECD, using quarterly FDI inflows by partner country published by the Central Bank of Egypt)

## ANNEX 2. Proposed Table to Reconcile the Asset/Liability and Directional Presentations of FDI Positions

By principle and type of capital	Asset/liability principle			Directional principle												Direct investment, net				
				Reporting country direct investment abroad						Foreign direct investment in reporting country										
	Direct investment assets <sup>1</sup>	Direct investment liabilities <sup>2</sup>	Direct investment, net	Total	Equity capital			Lending and debt securities (net) <sup>3</sup>			Total	Equity capital			Lending and debt securities (net) <sup>5</sup>					
					Total	Equity assets of resident direct investor in direct investment enterprise	Equity liability of resident direct investor to direct investment enterprise	Total <sup>4</sup>	Assets	Liabilities		Total	Equity liability of resident direct investment enterprise to direct investor	Equity assets of resident direct investment enterprise in direct investor	Total <sup>6</sup>		Assets	Liabilities		
2013																				
2014																				
2015																				

- 1 Sum of the following four components: Reporting country direct investment abroad, equity assets of resident direct investor in direct investment enterprise + Reporting country direct investment abroad, lending and debt securities (net), assets + foreign direct investment in the reporting country, equity assets of resident direct investment enterprise in direct investor + foreign direct investment in reporting country, lending and debt securities (net), assets.
- 2 Sum of the following four components: foreign direct investment in reporting country, equity liability of resident direct investment enterprise to direct investor + Foreign direct investment in reporting country, lending and debt securities (net), liabilities + Reporting country direct investment abroad, equity liability of resident direct investor to direct investment enterprise + Reporting country direct investment abroad, lending and debt securities (net), liabilities.
- 3 Net lending of reporting country direct investors to direct investment enterprises and other related companies abroad. Other related companies are those companies which are in the same multinational enterprise group as the reporting country direct investor, but which are neither its directly or indirectly owned affiliates nor its direct or indirect investors (i.e. fellow companies).
- 4 Assets minus liabilities.
- 5 Net lending of direct investment enterprises in the reporting country to foreign direct investors and other related companies abroad. Other related companies abroad are those companies which are in the same multinational enterprise group as the resident direct invest enterprise, but which are neither its direct or indirect investors nor its direct or indirectly owned affiliates (i.e. fellow companies).
- 6 Liabilities minus assets.



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